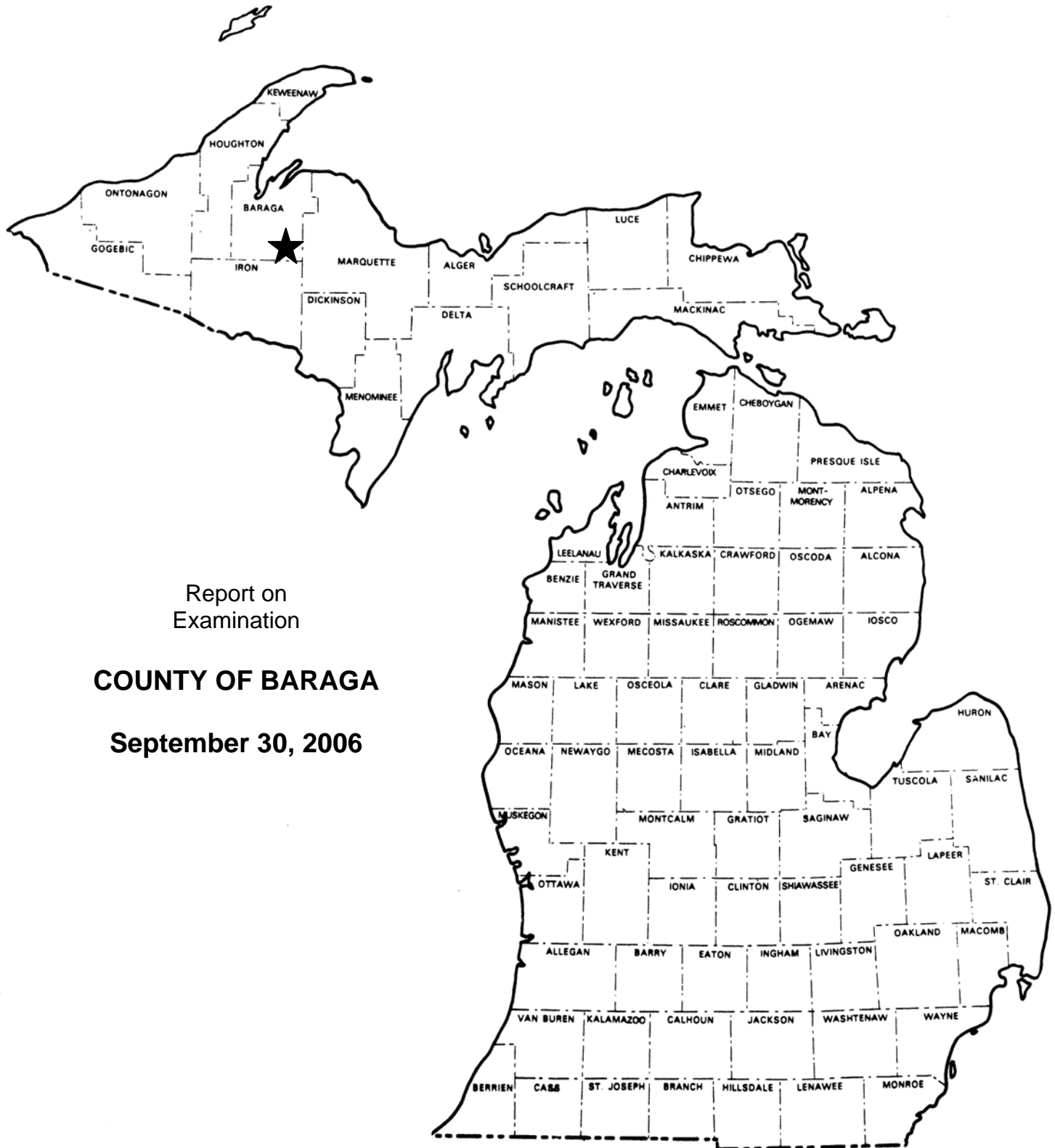


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



Report on  
Examination

**COUNTY OF BARAGA**

**September 30, 2006**

BARAGA COUNTY  
BOARD OF COMMISSIONERS

Michael Koskinen  
Chairperson

Gale Eilola

William Menge

Larry Menard

Daune Smith

COURT JUDGES

Garfield W. Hood  
Circuit Judge

Timothy S. Brennan  
Probate Judge

Phillip L. Kukkonen  
District Judge

OTHER ELECTED OFFICIALS

Patricia A. Kissel  
Treasurer

Wendy J. Goodreau  
Clerk/Register of Deeds

Charles Sliger  
Mine Inspector

Robert J. Teddy  
Sheriff

Joseph P. O'Leary  
Prosecuting Attorney

COUNTY POPULATION--2000  
8,746

STATE EQUALIZED VALUATION—2006  
\$283,602,138



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

February 14, 2007

County of Baraga  
County Board of Commissioners  
16 North 3rd Street  
L'Anse, Michigan 49946

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baraga County, Michigan, as of and for the year ended September 30, 2006, which collectively comprise Baraga County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Baraga County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baraga County, as of September 30, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2007, on our consideration of Baraga County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts,

grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparisons for the Major Funds, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baraga County's basic financial statements. The accompanying supplementary and related information in Exhibits N through Z are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These exhibits have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# COUNTY OF BARAGA

## TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	1
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
EXHIBIT A--Government-Wide Statement of Net Assets .....	9
EXHIBIT B--Government-Wide Statement of Activities .....	10
EXHIBIT C--Balance Sheet--Governmental Funds .....	11
EXHIBIT C-1--Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	12
EXHIBIT D--Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds .....	13
EXHIBIT D-1--Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities.....	14
EXHIBIT E--Statement of Net Assets--Proprietary Funds .....	15
EXHIBIT F--Statement of Revenues, Expenses and Changes in Net Assets Enterprise Funds .....	16
EXHIBIT G--Statement of Cash Flows--Enterprise Funds .....	17
EXHIBIT H--Statement of Net Assets--Fiduciary Funds.....	18
EXHIBIT I--Combining Statement of Net Assets--Component Units .....	19
EXHIBIT J--Combining Statement of Activities--Component Units .....	20
NOTES TO FINANCIAL STATEMENTS .....	21
<b><u>REQUIRED SUPPLEMENTAL INFORMATION</u></b>	
EXHIBIT K--Budgetary Comparison Schedule--General Fund .....	59
EXHIBIT L--Budgetary Comparison Schedule--911 Wireless--Major Special Revenue Fund .....	60
EXHIBIT M--Budgetary Comparison Schedule--Revenue Sharing Reserve Fund .....	61

# COUNTY OF BARAGA

## TABLE OF CONTENTS (CONTINUED)

Page

### **SUPPLEMENTAL INFORMATION AND SCHEDULES**

EXHIBIT N--Combining Balance Sheet--Non-Major Governmental Funds.....	62
EXHIBIT O--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Non-Major Governmental Funds.....	63
EXHIBIT P--Combining Net Assets--Non-Major Enterprise Funds .....	64
EXHIBIT Q--Combining Statement of Revenues, Expenses and Changes in Net Assets--Non-Major Enterprise Funds.....	65
EXHIBIT R--Combining Statement of Cash Flows--Increase (Decrease) in Cash and Cash Equivalents--Enterprise Funds .....	66
EXHIBIT S--Combining Balance Sheet--Trust and Agency Funds.....	67
EXHIBIT T--Statement of Changes in Assets and Liabilities--All Agency Funds.....	68
EXHIBIT U--Statement of Revenues and Other Sources--By Source Budget and Actual--General Fund .....	69
EXHIBIT V--Statement of Expenditures and Other Uses--By Activity Budget and Actual--General Fund .....	71
EXHIBIT W--Combining Statement of Net Assets--Department of Public Works--Component Unit.....	73
EXHIBIT X--Combining Statement of Activities--Department of Public Works Component Unit .....	74
EXHIBIT Y--Combining Balance Sheet--Department of Public Works Component Unit--Governmental Funds.....	75
EXHIBIT Z--Combining Statement of Revenues, Expenditures, and Changes in Fund Balances--Department of Public Works Component Unit--Governmental Funds.....	76
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> .....	77
Comments and Recommendations.....	79

## COUNTY OF BARAGA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the County, as a whole, and presents a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

#### The County as a Whole

The County's net assets for the governmental funds increased \$349,391 from a year ago for the governmental activities. The County's net assets for the business-type activities increased \$10,153 from a year ago for the business-type activities. In a condensed format, the tables below show a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2005	Governmental Activities 2006	Difference	Percent
Current Assets	\$ 2,005,755	\$ 2,281,136	\$ 275,381	14%
Noncurrent Assets	1,699,910	1,662,596	(37,314)	-2%
Total Assets	3,705,665	3,943,732	238,067	6%
Current Liabilities	810,327	765,969	(44,358)	-5%
Noncurrent Liabilities	2,282,368	2,215,402	(66,966)	-3%
Total Liabilities	3,092,695	2,981,371	(111,324)	-4%
Net Assets				
Invested in Capital Assets--Net of Debt	699,910	762,596	62,686	9%
Restricted	(1,041,697)	(889,714)	151,983	-15%
Unrestricted (Deficit)	954,757	1,089,479	134,722	14%
Total Net Assets	\$ 612,970	\$ 962,361	\$ 349,391	57%

A portion of the County's net assets in the amount of \$762,596 reflects its investments in capital assets (i.e., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## COUNTY OF BARAGA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

An additional portion of the County's net assets (\$889,714) represents resources that are subject to external restrictions on how they may be used. This negative amount of Restricted Net Assets is mainly attributed to the \$1,005,000 outstanding bond liability for the 1998 Hospital Improvement Refunding Bonds. There is a 2.5 mill property tax mileage set that will pay off the principal and interest payments each year until the bonds are paid off, however, the receivable for these future taxes are not recorded to offset the liability.

The remaining balance of \$1,089,479 represents "*unrestricted net assets*" that may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in two of the three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government, as a whole, as well as for its separate governmental and business-type activities as explained above.

	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Current Assets	<u>\$ 404,535</u>	<u>\$ 416,535</u>	<u>\$ 12,000</u>	<u>3%</u>
Total Assets	<u>404,535</u>	<u>416,535</u>	<u>12,000</u>	<u>3%</u>
Current Liabilities	<u>610</u>	<u>2,457</u>	<u>1,847</u>	<u>303%</u>
Total Liabilities	<u>610</u>	<u>2,457</u>	<u>1,847</u>	<u>303%</u>
Net Assets				
Unrestricted (Deficit)	<u>403,925</u>	<u>414,078</u>	<u>10,153</u>	<u>3%</u>
Total Net Assets	<u><u>\$ 403,925</u></u>	<u><u>\$ 414,078</u></u>	<u><u>\$ 10,153</u></u>	<u><u>3%</u></u>



# COUNTY OF BARAGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the September 30, 2006:

	Governmental Activities <u>2005</u>	Governmental Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 414,778	\$ 447,857	\$ 33,079	8%
Operating Grants and Contributions	790,534	609,574	(180,960)	-23%
General Revenues				
Property Taxes	2,933,443	2,844,247	(89,196)	-3%
Unrestricted Investment Earnings	23,025	45,130	22,105	96%
Transfers and Other Revenue	(225,237)	(219,993)	5,244	-2%
Total Revenues	<u>3,936,543</u>	<u>3,726,815</u>	<u>(209,728)</u>	<u>-5%</u>
Program Expenses				
General Government	1,530,460	1,551,946	21,486	1%
Public Safety	1,211,660	1,120,629	(91,031)	-8%
Health and Welfare	363,019	421,612	58,593	16%
Community and Economic Development	38,064	85,147	47,083	124%
Recreation and Culture	4,000	4,000	-	0%
Other	134,411	92,924	(41,487)	-31%
Interest on Long-Term Debt	111,993	101,166	(10,827)	-10%
Total Expenses	<u>3,393,607</u>	<u>3,377,424</u>	<u>(16,183)</u>	<u>0%</u>
Change in Net Assets	<u>542,936</u>	<u>349,391</u>	<u>(193,545)</u>	<u>(0)</u>
Ending Net Assets	<u>\$ 612,970</u>	<u>\$ 962,361</u>	<u>\$ 193,545</u>	<u>32%</u>

Public Act 357 of 2004 provided a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax mileage from a winter tax levy to a summer tax levy and, additionally, required the establishment of a restricted fund to be known as the Revenue Sharing Reserve Fund. The creation of the Revenue Sharing Reserve Fund in 2004 shifted the General Fund County Property Tax Collections from December to July over a three year period. During the time period, the County will levy 33% more each fiscal year and set aside that amount into the Revenue Sharing Fund. The County in turn draws an amount from the fund each year equal to the estimated State Revenue Sharing payment.

The property tax revenue decreased by \$89,196 due to a decrease in delinquent property taxes and a reclassification of tribal contributions. There was also a decrease in Homeland Security grants of \$162,086 and a decrease in State Remonumentation grants of \$30,908.

## COUNTY OF BARAGA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The expenses decreased by an overall amount of \$16,183. There were increases in the jail and sheriff's department, probate court costs, attorney fees and hospitalization insurance, which was offset by a large reduction in Homeland Security expenses.

	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Current Assets	<u>\$ 664,535</u>	<u>\$ 642,535</u>	<u>\$ (22,000)</u>	<u>-3%</u>
Total Assets	<u>664,535</u>	<u>642,535</u>	<u>(22,000)</u>	<u>-3%</u>
Current Liabilities	<u>260,610</u>	<u>228,457</u>	<u>(32,153)</u>	<u>-12%</u>
Total Liabilities	<u>260,610</u>	<u>228,457</u>	<u>(32,153)</u>	<u>-12%</u>
Net Assets				
Unrestricted (Deficit)	<u>403,925</u>	<u>414,078</u>	<u>10,153</u>	<u>3%</u>
Total Net Assets	<u><u>\$ 403,925</u></u>	<u><u>\$ 414,078</u></u>	<u><u>\$ 10,153</u></u>	<u><u>3%</u></u>

# COUNTY OF BARAGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities

As the County completed fiscal year 2006, its governmental funds reported are combined fund balances of \$1,304,260, an increase of \$146,718. The net changes are summarized below:

	Governmental Activities 2005	Governmental Activities 2006	Amount Difference 2006	Percentage Difference 2006
Revenues				
Taxes	\$ 2,933,443	\$ 2,857,611	\$ (75,832)	-3%
Licenses and Permits	2,376	3,997	1,621	68%
Federal Grants	284,415	135,844	(148,571)	-52%
State Grants	489,557	453,988	(35,569)	-7%
Contributions From Local Units		5,979	5,979	100%
Charges for Services	352,793	343,535	(9,258)	-3%
Fines and Forfeits	12,108	10,914	(1,194)	-10%
Interest and Rentals	23,025	45,130	22,105	96%
Other Revenue	64,063	89,810	25,747	40%
Total Revenues	4,161,780	3,946,808	(214,972)	-5%
Expenses				
Current				
General Government	1,521,115	1,539,531	18,416	1%
Public Safety	1,154,733	1,071,255	(83,478)	-7%
Health and Welfare	363,091	422,421	59,330	16%
Community and Economic Development	38,064	85,147	47,083	0%
Recreation and Cultural	4,000	4,000	-	0%
Other	134,411	92,924	(41,487)	-31%
Capital Outlay	13,679	23,653	9,974	73%
Debt Service				
Principal	230,000	240,000	10,000	4%
Interest and Fiscal Fees	111,993	101,166	(10,827)	-10%
Total Expenditures	3,571,086	3,580,097	9,011	0%
Excess of Revenues Over (Under) Expenditures	590,694	366,711	(223,983)	-38%
Other Financing Sources (Uses)				
Interfund Transfers In				
Primary Government	748,602	724,837	(23,765)	-3%
Interfund Transfers (Out)				
Primary Government	(687,923)	(669,257)	18,666	-3%
Component Unit	(285,916)	(275,573)	10,343	-4%
Total Other Financing Sources (Uses)	(225,237)	(219,993)	5,244	-2%
Beginning Fund Balance	792,085	1,157,542	365,457	46%
Ending Fund Balance	\$ 1,157,542	\$ 1,304,260	\$ 146,718	13%

## **COUNTY OF BARAGA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### The County's Funds

Our analysis of the County's major funds is detailed in the Notes to the Financial Statements, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The County's major funds for 2006 include the General Fund, 911 Wireless Fund, Revenue Sharing Fund, Hospital Debt Fund and the 2006 Tax Payment Fund.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all County revenues and expenditures are recorded in the General Fund. The most significant are the general government and the public safety, which incurred expenses of \$1,539,531 and \$1,071,255, respectively, during 2006.

The County's total governmental revenues decreased by approximately 5% primarily due to the reduction in Homeland Security Grants. The total governmental expenditures remained about the same as in the prior year.

# COUNTY OF BARAGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business-Type Activities

	Business-Type Activities 2005	Business-Type Activities 2006	Amount Difference 2006	Percentage Difference 2006
Operating Revenues				
Interest and Penalties on Taxes	\$ 101,381	\$ 67,089	\$ (34,292)	-34%
Total Operating Revenues	<u>101,381</u>	<u>67,089</u>	<u>(34,292)</u>	<u>-34%</u>
Operating Expenses				
Stationary, Postage and Printing	5,031	8,893	3,862	77%
Total Operating Expenses	<u>5,031</u>	<u>8,893</u>	<u>3,862</u>	<u>77%</u>
Net Income (Loss) From Operations	<u>96,350</u>	<u>58,196</u>	<u>(38,154)</u>	<u>-40%</u>
None Operating Revenue (Expenses)				
Interest Income	<u>-</u>	<u>7,537</u>	<u>7,537</u>	<u>100%</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>7,537</u>	<u>7,537</u>	<u>100%</u>
Net Income (Loss) Before Operating Transfers	96,350	65,733	(30,617)	-32%
Transfers In--Primary Government				
Transfers (Out)--Primary Government	<u>(60,679)</u>	<u>(55,580)</u>	<u>5,099</u>	<u>-8%</u>
Net Income (Loss)	35,671	10,153	(25,518)	-72%
Beginning Net Assets	<u>368,254</u>	<u>403,925</u>	<u>35,671</u>	<u>10%</u>
Ending Net Assets	<u>\$ 403,925</u>	<u>\$ 414,078</u>	<u>\$ 10,153</u>	<u>3%</u>

The County's business-type activities consist of the Delinquent Tax Revolving Funds for various years and represent collection of delinquent taxes. There was no significant change in the revenues or expenses.

### General Fund Budgetary Highlights

Over the course of the year, the County Board amended the budget to take into account events during the year. The County's revenue budget was increased by \$301,678 (9% above the original budget) during fiscal year 2006. Actual General Fund revenue and other financing sources totaled \$3,594,215, which was \$254,948 below the final amended budget. The largest variances were: decreases in anticipated Federal/State grants and a decrease in property taxes.

## COUNTY OF BARAGA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The County's expenditure budget was increased by \$323,070 (10% over the original budget) during fiscal year 2006. Actual General Fund expenditures and other financing sources totaled \$3,327,574, which was \$77,101 below the final amended budget. The largest variances were: increases in anticipated general government and public safety expenditures.

#### **Capital Asset and Debt Administration**

At the end of 2006, the County had \$1,662,596 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this year included a police vehicle for \$14,920 and a mailer for \$8,733.

Debt is classified as long-term if it matures in a period greater than one year. There was no new debt during the year. At the end of the current fiscal year, the County had total bonded debt outstanding of \$1,905,000 and vested employee benefits of \$99,495.

#### **Economic Factors and Next Year's Budgets and Rates**

The County has considered the following factor in preparing the 2007 fiscal year budget:

The increasing wage and fringe benefit costs of 12% which is around 75% of County budget is considered carefully. Child care for the Probate Court is also an economic factor which the County considers while preparing the annual budget.

#### **Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Baraga County Clerk's Office at 16 North Third Street, L'Anse, Michigan 49946.

**COUNTY OF BARAGA**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**September 30, 2006**

**EXHIBIT A**

<u><b>ASSETS</b></u>	<u><b>PRIMARY GOVERNMENT</b></u>			Component Units
	Governmental Activities	Business-Type Activities	Total	
Current Assets				
Cash and Cash Equivalents	\$ 1,760,585	\$ 143,313	\$ 1,903,898	\$ 3,771,224
Investments				
Receivables (Net)				
Accounts				2,717,783
Estimated Third-Party Settlements Receivable				433,595
Assessments				
Delinquent Taxes	429,378	272,862	702,240	
Forfeiture Fees		360	360	
Due From State	80,092		80,092	308,207
Due From Federal				102,513
Due From Local Units of Governments	11,081		11,081	
Due From Other Funds--Primary Government			-	639,917
Inventories				608,685
Prepaid Expenses			-	393,346
Total Current Assets	2,281,136	416,535	2,697,671	8,975,270
Noncurrent Assets				
Due From Local Units of Governments				
Due Within One Year			-	80,000
Due in More Than One Year			-	2,295,000
Capital Assets--Net of Accumulated Depreciation	1,662,596		1,662,596	17,965,601
Total Assets	3,943,732	416,535	4,360,267	29,315,871
<u><b>LIABILITIES</b></u>				
Current Liabilities				
Accounts Payable	99,349	2,798	102,147	1,155,161
Due to Other Funds--Component Units	639,917		639,917	
Due to State	6,598		6,598	15,656
Accrued Liabilities	20,105		20,105	39,174
Undistributed Delinquent Real Taxes		(341)	(341)	
Estimated Third-Party Settlements Payable				449,767
Other Accrued Liabilities			-	1,655,992
Total Current Liabilities	765,969	2,457	768,426	3,344,231
Noncurrent Liabilities				
Deferred Revenue	210,907		210,907	
Bonds Payable--Due Within One Year	275,000		275,000	80,000
Bonds Payable--Due in More Than One year	1,630,000		1,630,000	2,295,000
Mortgage Payable--Due Within One Year			-	159,949
Mortgage Payable--Due in More Than One year			-	2,076,430
Loans Payable--Due Within One Year			-	296,074
Loans Payable--Due in More Than One Year			-	1,147,878
Vested Employee Benefits Payable	99,495		99,495	-
Total Noncurrent Liabilities	2,215,402	-	2,215,402	6,563,196
Total Liabilities	2,981,371	2,457	2,983,828	9,907,427
<u><b>NET ASSETS</b></u>				
Investment in Capital Assets--Net of Related Debt	762,596		762,596	13,820,940
Restricted for				
Debt Service	(889,714)		(889,714)	
County Roads			-	1,254,106
Department of Public Works			-	78
County Hospital			-	4,058,320
Unrestricted	1,089,479	414,078	1,503,557	
Total Net Assets	\$ 962,361	\$ 414,078	\$ 1,376,439	\$ 19,133,444

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2006**

**EXHIBIT B**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT			
					Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government								
Governmental Activities								
General Government	\$ 1,551,946	\$ 307,201	\$ 207,851		\$ (1,036,894)		\$ (1,036,894)	
Public Safety	1,120,629	97,326	301,916		(721,387)		(721,387)	
Health and Welfare	421,612	189	65,947		(355,476)		(355,476)	
Community and Economic Development	85,147	43,141	33,860		(8,146)		(8,146)	
Recreation and Culture	4,000				(4,000)		(4,000)	
Other	92,924				(92,924)		(92,924)	
Interest on Long-Term Debt	101,166				(101,166)		(101,166)	
Total Governmental Activities	3,377,424	447,857	609,574	\$ -	(2,319,993)	\$ -	(2,319,993)	
Business-Type Activities								
Delinquent Tax Funds Combined	8,893	67,089		-		58,196	58,196	
Total Business-Type Activities	8,893	67,089	-	-	-	58,196	58,196	
Total Primary Government	\$ 3,386,317	\$ 514,946	\$ 609,574	\$ -	\$ (2,319,993)	\$ 58,196	\$ (2,261,797)	
Component Units								
Road Commission	\$ 2,508,402	\$ 99,756	\$ 2,116,923	\$ 2,169,201				\$ 1,877,478
Department of Public Works	139,411		138,601	-				(810)
County Hospital	20,602,052	20,507,928						(94,124)
Total Component Units	\$ 23,249,865	\$ 20,607,684	\$ 2,255,524	\$ 2,169,201	\$ -	\$ -	\$ -	\$ 1,782,544
General Revenues								
Property Taxes					\$ 2,844,247		\$ 2,844,247	\$ 283,806
Unrestricted Investment Earnings					45,130	\$ 7,537	52,667	56,089
Other Revenues					-		-	15,300
Special Item--Gain (Loss) on Disposal of Capital Assets							-	7,379
Transfers					(219,993)	\$ (55,580)	(275,573)	275,573
Total General Revenues--Special Items and Transfers					2,669,384	(48,043)	2,621,341	638,147
Change in Net Assets					349,391	10,153	359,544	2,420,691
Net Assets--Beginning					612,970	403,925	1,016,895	16,712,753
Net Assets--Ending					\$ 962,361	\$ 414,078	\$ 1,376,439	\$ 19,133,444

The Notes to Financial Statements are an integral part of this statement.



**COUNTY OF BARAGA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2006**

**EXHIBIT C**

	General	911 Wireless	Revenue Sharing	Hospital Debt	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	\$ 88,813	\$ 216,106	\$ 581,009	\$ 642,567	\$ 232,090	\$ 1,760,585
Current Summer Taxes Receivable	429,378					429,378
Due From State	53,696	23,403			2,993	80,092
Due From Other Agencies	11,081					11,081
Total Assets	<u>\$ 582,968</u>	<u>\$ 239,509</u>	<u>\$ 581,009</u>	<u>\$ 642,567</u>	<u>\$ 235,083</u>	<u>\$ 2,281,136</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>						
Liabilities						
Accounts Payable	\$ 95,781	\$ 1,657			\$ 1,911	\$ 99,349
Due to Other Funds--Component Units				\$ 639,917		639,917
Due to State					6,598	6,598
Accrued Liabilities	20,105					20,105
Deferred Revenue	200,437				10,470	210,907
Total Liabilities	<u>316,323</u>	<u>1,657</u>	<u>\$ -</u>	<u>639,917</u>	<u>18,979</u>	<u>976,876</u>
Fund Balances						
Reserved for						
Debt Service				2,650	112,636	115,286
Act 302 Training	2,211					2,211
Family Counseling	16,537					16,537
Unreserved--Undesignated	247,897	237,852	581,009		103,468	1,170,226
Total Fund Equity	<u>266,645</u>	<u>237,852</u>	<u>581,009</u>	<u>2,650</u>	<u>216,104</u>	<u>1,304,260</u>
Total Liabilities and Fund Equity	<u>\$ 582,968</u>	<u>\$ 239,509</u>	<u>\$ 581,009</u>	<u>\$ 642,567</u>	<u>\$ 235,083</u>	<u>\$ 2,281,136</u>

**The Notes to Financial Statements are an integral part of this statement.**

**COUNTY OF BARAGA**  
**RECONCILIATION OF FUND BALANCES ON THE**  
**BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**ON THE STATEMENT OF NET ASSETS**  
**September 30, 2006**

**EXHIBIT C-1**

Fund Balances--Total Governmental Funds \$ 1,304,260

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

Add--Capital Assets	2,453,769
Deduct--Accumulated Depreciation	<u>(791,173)</u>

Net Capital Asset Addition	<u>1,662,596</u>
----------------------------	------------------

Certain liabilities, such as compensated absences, are not due and  
payable in the current period. Therefore, they are not reported  
in the fund's statement.

Deduct--Long-Term Debt	(1,905,000)
Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(99,495)</u>

Net Assets of Governmental Activities	<u><u>\$ 962,361</u></u>
---------------------------------------	--------------------------

**The Notes to Financial Statements are an integral part of this statement.**

**COUNTY OF BARAGA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2006**

**EXHIBIT D**

	General	911 Wireless	Revenue Sharing	Hospital Debt	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes and Penalties	\$ 2,048,821			\$ 456,287	\$ 339,139	\$ 2,844,247
Licenses and Permits	3,997					3,997
Federal Grants	97,444				38,400	135,844
State Grants	349,817	\$ 91,798			12,373	453,988
Contributions From Local Units	5,979			-	-	5,979
Charges for Services	330,013				13,522	343,535
Fines and Forfeits	8,914				2,000	10,914
Interest and Rentals	22,239		\$ 10,705	10,014	2,172	45,130
Other Revenue	46,570				56,604	103,174
<b>Total Revenues</b>	<b>2,913,794</b>	<b>91,798</b>	<b>10,705</b>	<b>466,301</b>	<b>464,210</b>	<b>3,946,808</b>
<b>Expenditures</b>						
Current						
General Government	1,514,484				25,047	1,539,531
Public Safety	1,016,367	54,888				1,071,255
Health and Welfare	159,746				262,675	422,421
Community and Economic Development	6,096				79,051	85,147
Recreation and Cultural	4,000					4,000
Other	92,924		-			92,924
Capital Outlay	23,653					23,653
Debt Service						
Principal				140,000	100,000	240,000
Interest and Fiscal Fees				50,728	50,438	101,166
<b>Total Expenditures</b>	<b>2,817,270</b>	<b>54,888</b>	<b>-</b>	<b>190,728</b>	<b>517,211</b>	<b>3,580,097</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>96,524</b>	<b>36,910</b>	<b>10,705</b>	<b>275,573</b>	<b>(53,001)</b>	<b>366,711</b>
<b>Other Financing Sources (Uses)</b>						
Interfund Transfers In						
Primary Government	214,537		458,000		52,300	724,837
Interfund Transfers (Out)						
Primary Government	(510,300)		(158,957)		-	(669,257)
Component Unit				(275,573)		(275,573)
Sale of Capital Assets				-		-
<b>Total Other Financing Sources (Uses)</b>	<b>(295,763)</b>	<b>-</b>	<b>299,043</b>	<b>(275,573)</b>	<b>52,300</b>	<b>(219,993)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(199,239)</b>	<b>36,910</b>	<b>309,748</b>	<b>-</b>	<b>(701)</b>	<b>146,718</b>
<b>Fund Balance (Deficit)--October 1, 2005</b>	<b>465,884</b>	<b>200,942</b>	<b>271,261</b>	<b>2,650</b>	<b>216,805</b>	<b>1,157,542</b>
<b>Fund Balance (Deficit)--September 30, 2006</b>	<b>\$ 266,645</b>	<b>\$ 237,852</b>	<b>\$ 581,009</b>	<b>\$ 2,650</b>	<b>\$ 216,104</b>	<b>\$ 1,304,260</b>

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED September 30, 2006**

**EXHIBIT D-1**

Net Change in Fund Balances--Total Governmental Funds	\$ 146,718
---	------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	23,653
Deduct--Depreciation Expense	(60,967)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	240,000
--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in the funds.

<u>(13)</u>
-------------

Change in Net Assets of Governmental Activities

<u><u>\$ 349,391</u></u>
--------------------------

**The Notes to Financial Statements are an integral part of this statement.**

**COUNTY OF BARAGA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2006**

**EXHIBIT E**

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		
	2005 Tax Funds	Non-Major Enterprise	Total Enterprise Funds
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Cash Equivalents	\$ 595	\$ 142,718	\$ 143,313
Delinquent Taxes Receivable	242,423	30,439	272,862
Due From Other Funds		226,000	226,000
Fees Receivable		360	360
Total Current Assets	243,018	399,517	642,535
Total Assets	243,018	399,517	642,535
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Due to Other Funds--Primary Government	226,000		226,000
Undistributed Delinquent Real Taxes	(341)	-	(341)
Fees Payable		2,798	2,798
Total Current Liabilities	225,659	2,798	228,457
<b><u>NET ASSETS</u></b>			
Unrestricted	17,359	396,719	414,078
Total Net Assets	\$ 17,359	\$ 396,719	\$ 414,078

**The Notes to Financial Statements are an integral part of this statement.**

**COUNTY OF BARAGA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--ENTERPRISE FUNDS**  
**For the Year Ended September 30, 2006**

**EXHIBIT F**

	<u><b>BUSINESS-TYPE ACTIVITIES</b></u>		
	2005 Tax Funds	Non-Major Enterprise	Total Enterprise Funds
Operating Revenues			
Interest and Penalties	\$ 17,359	\$ 49,730	\$ 67,089
Total Operating Revenues	17,359	49,730	67,089
Operating Expenses			
Administrative Expense		8,893	8,893
Total Operating Expenses	-	8,893	8,893
Operating Income (Loss)	17,359	40,837	58,196
Nonoperating Revenue			
Interest Earned on Deposits		7,537	7,537
Income (Loss) Before Transfers	17,359	48,374	65,733
Interfund Transfers			
Transfers (Out)--Primary Government		(55,580)	(55,580)
Change in Net Assets	17,359	(7,206)	10,153
Total Net Assets--October 1, 2005	-	403,925	403,925
Total Net Assets--September 30, 2006	\$ 17,359	\$ 396,719	\$ 414,078

**The Notes to Financial Statements are an integral part of this statement.**

**COUNTY OF BARAGA**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**For the Year Ended September 30, 2006**

**EXHIBIT G**

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		
	2005 Tax Fund	Non-Major Enterprise	Total
Cash Flows From Operating Activities			
Charges for Services	\$ 17,359	\$ 49,730	\$ 67,089
Delinquent Taxes Collected	233,165	272,172	505,337
Delinquent Taxes Purchased	(475,588)		(475,588)
Goods and Services Purchased		(8,893)	(8,893)
Net Cash Provided by Operating Activities	(225,064)	313,009	87,945
Cash Flows From Noncapital Financing Activities			
(Increase) or Decrease in Other Receivables		422	422
(Increase) or Decrease in Advances to Other Funds		34,000	34,000
Increase or (Decrease) in Other Payables	(341)	2,188	1,847
Increase or (Decrease) in Advances From Other Funds	226,000	(260,000)	
Transfers (Out)		(55,580)	(55,580)
Net Cash Flows From Noncapital Financing Activities	225,659	(278,970)	(17,123)
Cash Flows From Investment Activities			
Interest on Deposits	-	7,537	7,537
Net Increase in Cash and Cash Equivalents	595	41,576	78,359
Cash and Cash Equivalents--October 1, 2005	-	101,142	101,142
Cash and Cash Equivalents--September 30, 2006	\$ 595	\$ 142,718	\$ 143,313
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 17,359	\$ 40,837	\$ 58,196
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities			
(Increase) Decrease in Delinquent Taxes Receivable	(242,423)	272,172	29,749
Net Cash Provided by Operating Activities	\$ (225,064)	\$ 313,009	\$ 87,945

**The Notes to Financial Statements are an integral part of this statement.**

**COUNTY OF BARAGA**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2006**

**EXHIBIT H**

	<u>Agency Fund</u>
<b><u>ASSETS</u></b>	
Cash	<u>\$ 768,591</u>
Total Assets	<u><u>\$ 768,591</u></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities	
Due to Villages	\$ 1,283
Due to State of Michigan	665,313
Undistributed Penal Fines	13,466
Undistributed Interest	66
Undistributed Tax Collections	25,758
Other Trust Items Payable	<u>62,705</u>
Total Liabilities	<u><u>\$ 768,591</u></u>



**COUNTY OF BARAGA  
COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
September 30, 2006**

**EXHIBIT I**

	<b>GOVERNMENTAL</b>		<b>BUSINESS TYPE</b>	
	Road Commission	Department of Public Works	County Hospital	Total
<b><u>ASSETS</u></b>				
Current Assets				
Cash and Cash Equivalents	\$ 1,271,155	\$ 78	\$ 2,499,991	\$ 3,771,224
Receivables (Net)	17,693		2,700,090	2,717,783
Estimated Third-Party Settlements Receivable			433,595	433,595
Due From State	308,207			308,207
Due From Federal	102,513			102,513
Due From Primary Government			639,917	639,917
Inventories	414,437		194,248	608,685
Prepaid Expenses	52,406		340,940	393,346
Total Current Assets	2,166,411	78	6,808,781	8,975,270
Noncurrent Assets				
Due From Local Units of Government				
Due Within One Year		80,000		80,000
Due in More Than One Year		2,295,000		2,295,000
Capital Assets (Net of Accumulated Depreciation)	11,077,649		6,887,952	17,965,601
Total Noncurrent Assets	11,077,649	2,375,000	6,887,952	20,340,601
Total Assets	13,244,060	2,375,078	13,696,733	29,315,871
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable	506,671		648,490	1,155,161
Retainage Payable	10,769			10,769
Due to State	15,656			15,656
Accrued Liabilities	39,174			39,174
Estimated Third-Party Settlements Payable			449,767	449,767
Driveway Snow Plowing Deposits	17,712			17,712
Other Accrued Liabilities	3,788		1,652,204	1,655,992
Total Current Liabilities	593,770	-	2,750,461	3,344,231
Noncurrent Liabilities				
Bonds Payable				
Due Within One Year		80,000		80,000
Due in More Than One Year		2,295,000		2,295,000
Installment Purchase Agreements Payable				
Due Within One Year	167,015			167,015
Due in More Than One Year	22,315			22,315
State Infrastructure Bank Payable	275,000			
Due in More Than One Year	318,535			318,535
Mortgage Payable				
Due Within One Year			159,949	159,949
Due in More Than One Year			2,076,430	2,076,430
Loans Payable				
Due Within One Year			296,074	296,074
Due in More Than One Year			1,147,878	1,147,878
Vested Employee Benefits Payable				-
Total Noncurrent Liabilities	782,865	2,375,000	3,680,331	6,563,196
Total Liabilities	1,376,635	2,375,000	6,430,792	9,907,427
<b><u>NET ASSETS</u></b>				
Invested in Capital Assets--Net of Related Debt	10,613,319		3,207,621	13,820,940
Restricted for				
County Roads	1,254,106			1,254,106
Department of Public Works				
Debt Service		78		78
County Hospital			4,058,320	4,058,320
Total Net Assets	\$ 11,867,425	\$ 78	\$ 7,265,941	\$ 19,133,444

**The Notes to Financial Statements are an integral part of this statement.**

**BARAGA COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**Year Ended September 30, 2006**

**EXHIBIT J**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Department of Public Works	County Hospital	Total
Governmental Activities								
Road Commission								
Public Works	\$ 2,496,037	\$ 99,756	\$ 2,116,923	\$ 2,169,201	\$ 1,889,843			\$ 1,889,843
Interest on Related Debt	12,365				(12,365)			(12,365)
Total Road Commission	2,508,402	99,756	2,116,923	2,169,201	1,877,478	\$ -	\$ -	1,877,478
Department of Public Works								
Public Works	22,810		138,601			115,791		115,791
Interest on Related Debt	116,601					(116,601)		(116,601)
Total Department of Public Works	139,411	-	138,601	-	-	(810)	-	(810)
Business-Type Activities								
County Hospital								
Health and Welfare	20,461,110	20,507,928					46,818	46,818
Interest on Related Debt	140,942						(140,942)	(140,942)
Total County Hospital	\$ 20,602,052	\$ 20,507,928	\$ -	\$ -	-	-	(94,124)	(94,124)
General Revenues								
Property Taxes					283,806			283,806
Investment Earnings							56,089	56,089
Other Revenues							15,300	15,300
Loss on Sale of Property and Equipment							(2,759)	(2,759)
Special Item--Gain on Sale of Fixed Assets					10,138			10,138
Transfers							275,573	275,573
Total General Revenues, Special Items and Transfers					293,944	-	344,203	638,147
Change in Net Assets					2,171,422	(810)	250,079	2,420,691
Net Assets--Beginning of Year					9,696,003	888	7,015,862	16,712,753
Net Assets--End of Year					\$ 11,867,425	\$ 78	\$ 7,265,941	\$ 19,133,444

The Notes to Financial Statements are an integral part of this statement.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Baraga County is a municipal corporation governed by an elected 5-member board of commissioners. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present Baraga County (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The component units, discussed in Note B, are included in the county's financial reporting entity because of the significance of their operational or financial relationships with the county.

#### Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the Baraga County Board of Public Works, Baraga County Road Commission and the Baraga County Memorial Hospital. These financial statements are reported in separate columns to emphasize that they are legally separate from the county.

#### Baraga County Board of Public Works

Pursuant to Michigan Compiled Law (MCL) 123.732, the County of Baraga entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the county board of commissioners and under the immediate control of a Board of Public Works. The Board of Public Works is comprised of four (4) members, two county commissioners and two (2) members selected by the county board of commissioners. The Board of Public Works is considered an agency of the county. The board manages water supply and sanitary sewer system construction projects that are bonded by the County of Baraga. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Baraga County Board of Commissioners. Special assessments are levied by the local units of government on benefited properties and are forwarded to the county for payment of principal and interest. The combining financial statements for the Board of Public Works are presented as part of the discretely presented component units on Exhibits W through Z.

#### Road Commission

The Baraga County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected 3-member board of county road commissioners. The Road Commission may not issue debt or levy property taxes without the county board of commissioners' approval. The Road Commission's property taxes are levied under the taxing authority of the county, as approved by the county electors, are included as part of the county's total tax levy and are reported in the County Road Fund.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Memorial Hospital

The Baraga County Memorial Hospital (County Hospital) is a not-for-profit corporation established in accordance with Public Act 230 (County Health Facilities Corporation Act) of 1987. It is governed by the board of trustees, which is empowered to do all things necessary for the proper operation of the County Hospital. The county board of commissioners appoints the board of trustee members. The County Hospital is organized and operated to provide for the health care needs of the community. The primary health care services are acute inpatient, outpatient, and long-term skilled care.

The County Hospital is the sole member of Baraga County Extended Care Corporation (collectively referred to as the "Corporation"), which is a not-for-profit corporation established in accordance with Public Act 230. Baraga County Extended Care Corporation has two divisions: Bayside Village, which owns and operates a 59 bed skilled nursing facility in L'Anse, Michigan; and Baraga County Home Helpers, which provides nonmedical services to home bound patients.

Complete audited or unaudited financial statements of the individual component units can be obtained from their respective administrative offices or from the county clerk's office at the courthouse.

##### Administrative Offices

Baraga County Clerk  
13 North 3<sup>rd</sup> Street  
L'Anse, Michigan 49946

Board of Public Works  
13 North 3<sup>rd</sup> Street  
L'Anse, Michigan 49946

Baraga County Road Commission  
Highway US 41  
L'Anse, Michigan 49946

Baraga County Memorial Hospital  
770 North Main Street  
L'Anse, Michigan 49946

##### Jointly Governed Organization--District Health Department

Baraga County, in conjunction with Gogebic, Houghton, Keweenaw, and Ontonagon Counties, has created the Western Upper Peninsula District Health Department under the authority of the Public Health Code. The District Health Board is composed of 2 members from each of the counties who are appointed by each participating county board of commissioners. All of the financial operations of the District Health Department are recorded in the records of Houghton County, as a discretely presented component unit. The funding formula approved by the member counties is based pro rata on each unit's population and State equalized valuation to the district's population and valuation. Member counties' percentages and dollar share of the net operating budget for the year 2006 were:

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>County</u>	<u>Percentage</u>	<u>Dollar Share</u>
Baraga	12.7%	\$ 50,742
Gogebic	25.3%	101,084
Houghton	43.6%	174,201
Keweenaw	5.4%	21,575
Ontonagon	<u>13.0%</u>	<u>51,941</u>
Total	<u>100%</u>	<u>\$ 399,543</u>

Baraga County's 2006 actual appropriation to the District Health Department was \$50,742. An additional \$3,859 was appropriated for the Health Department's share of the 2005 State-shared cigarette tax revenues.

#### Jointly Governed Organization--Community Mental Health Authority

Baraga County, in conjunction with Houghton, Keweenaw and Ontonagon Counties, has created the Copper Country Mental Health Services Board, which is a Community Mental Health Organization defined in the Mental Health Code (Code), MCL 330.1001, et seq., as amended. During 1996, the jointly created board became a Community Mental Health Authority under Section 205 of the Code in accordance with the Urban Cooperation Act. The Copper Country Community Mental Health Services Authority Board is composed of 12 members who are apportioned between the member counties on the basis of population and whose board appointments are approved by their respective county board of commissioners. All of the financial operations of the Mental Health Authority are recorded in the records of Houghton County, as a discretely presented component unit. The funding of the Community Mental Health Authority operations by the member counties is based on an agreement between the Community Mental Health Board and member counties, which provides for single annual appropriations to provide for State institution inpatient costs and community mental health program costs.

The board approved member county appropriations for the Community Mental Health Authority's fiscal year ended September 30, 2006 were as follows:

Baraga	\$ 33,795
Houghton	164,495
Keweenaw	8,500
Ontonagon	<u>48,814</u>
Total	<u>\$ 255,604</u>

Baraga County's appropriation to the District Mental Health Board for the county's fiscal year ended September 30, 2006 was \$33,795.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

The county reports the following major governmental funds:

The General Fund is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 911 Wireless Fund accounts for the state wireless surcharge used to support the 911 service provided by the county.

The Revenue Sharing Fund is the funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax mileage from a winter tax levy to a summer tax levy over a three year period.

The Hospital Debt Fund accounts for the bond activity related to the County Hospital.

The county reports the following major proprietary funds:

The 2005 Tax Payment Fund accounts for the county's annual purchase of delinquent real property taxes from each of the local taxing units within the county and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the county's issuance of debt when needed (to provide cash flow for the purchase of the taxes) and for the resulting debt service payment.

Additionally, the county reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The county has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Delinquent Tax Fund are collection fees for delinquent taxes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the county's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value based on quoted market prices.

#### Current Winter Property Taxes

Most county property taxes are levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st.

The 2005 State equalized valuation of Baraga County amounted to \$280,702,907 and the taxable valuation is \$179,369,265, on which ad valorem taxes of 2.7859 mills were levied for county operating purposes in the summer of 2005 in accordance with the provisions of Michigan Public Act 357 of 2004 resulting in a total of \$499,705 being recorded as tax revenues in the September 30, 2005 financial statements. The County's winter tax levy consisted of 5.5728 mills for county operating purposes; 1.00 mill for senior citizens programs; 1.9438 mills for County Road Commission and Villages of Baraga and L'Anse road and street maintenance and improvements; 2.50 mills for County Hospital bond debt and capital improvements; and .8787 mills for county jail bond debt. In addition, specific taxes are levied under the Commercial Forest Reserve Act, payments in-lieu-of taxes on properties belonging to native Americans are received from the Keweenaw Bay Tribal Council, and some of the county taxes are captured by the downtown development authorities of the Villages of Baraga and L'Anse. The current tax revenues reflected in the county's 2006 financial statements consist of the amount of the 2005 tax levy collected in addition to the Commercial Forest Reserve taxes, less taxes captured by the downtown development authorities.



## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Current Summer Property Taxes Receivable

In accordance with the provisions of Michigan Public Act 357 of 2004, the county levied 5.7334 mills on the county's 2006 taxable valuation of \$188,261,493 in the summer of 2006. The total levy amounted to \$1,079,378 of which \$900,268 is recorded as 2006 General Fund current summer tax collection revenue and \$179,110 is recorded as deferred revenue as that amount had not been collected within 60 days of September 30, 2006.

##### TAXES RECEIVABLE--DELINQUENT

##### Enterprise Funds

The delinquent taxes receivable of \$274,622, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Baraga County by the County's 100 Percent Tax Payment Funds for the years 2002, \$134; 2003, \$318; 2004, \$29,987; and 2005, \$242,423. Effective with the 2001 tax levy, the county began financing the purchase of delinquent real property taxes with advances from the General Fund and other 100 Percent Tax Payment Funds. Accordingly, none of the delinquent taxes are pledged for the payment notes.

##### INVENTORIES

##### Road Commission (Component Unit)

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs, and operations as used.

##### County Hospital (Component Unit)

Hospital Operating Fund inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

##### PROPERTY, PLANT AND EQUIPMENT

##### Capital Assets--Primary Government and Drain Component Unit

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	30 to 50 years
Office Furniture and Equipment	3 to 10 years
Vehicles	5 to 10 years

#### Capital Assets--Road Commission (Component Unit)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the Baraga County Road Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 makes it optional for phase III governments (Baraga County) to record major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, and that they be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Baraga County Road Commission has capitalized the current year's infrastructure starting in 2004, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission will retroactively capitalize the major infrastructure assets on or before September 30, 2008, as permitted by GASB Statement No. 34.

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### County Hospital (Component Unit)

Hospital Operating Fund property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over estimated useful lives of related assets. Cost of maintenance and repairs are charged to expense as incurred.

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	10 to 50 years
Equipment	3 to 20 years
Land Improvements	10 to 20 years

##### Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

##### Compensated Absences (Vacation and Sick Leave)

It is the county's policy to permit employees to accumulate earned unused sick and vacation pay benefits. The liability for unpaid accumulated sick leave is only 50% of the time available according to the county's union contracts and personnel policies. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

##### Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

##### Net Patient Service Revenue--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursable costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrong doing. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

##### Estimated Third-Party Settlements--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. The County Hospital receives approximately 86% of net patient service revenue under agreements with third party payors. Contractual adjustments under third-party reimbursement programs represent the difference between established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

Medicare--The County Hospital is designated as a critical access hospital under Medicare regulations. As such, the Hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries. Long-term care services are reimbursed at prospectively determined rates per patient day.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Medicaid--Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. The County Hospital is reimbursed for outpatient services on an established fee-for-service methodology. Long-term care services are reimbursed at established per diem rates plus cost for allowable ancillary services.

Blue Cross--Services rendered to Blue Cross subscribers are reimbursed at controlled charges.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the County Hospital's financial statements.

#### Charity Care--County Hospital (Component Unit)

The County Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the County Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care amounts to less than one percent of patients served.

#### Tax Status--County Hospital (Component Unit)

The County Hospital is tax exempt under the Internal Revenue Code, and accordingly, no tax provision is reflected in the financial statements.

#### Principles of Combination--County Hospital (Component Unit)

The County Hospital's financial statements include the combined accounts of Baraga County Memorial Hospital and its subsidiary, Baraga County Extended Care Corporation. All material intercompany balances and transactions have been eliminated.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgets and Budgetary Accounting

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, which requires the county board of commissioners to approve budgets for the General and special revenue funds. The County Road Fund (special revenue--component unit) budget is adopted and administered by the board of county road commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budgets are adopted at the activity level and control is exercised at that level. The county board of commissioners has authorized the county's chief administrative officer (county clerk) to make General Fund budget transfers between activities in September, when necessary, without increasing the overall budget and with the transfers to be subsequently presented to the board for their review and approval. Also, the board of county road commissioners has authorized its chief administrative officer to amend the County Road Fund budget when necessary by transferring up to 20% from one activity to another.

The budgeted revenues and expenditures for governmental fund types, as presented in the accompanying exhibits, include any authorized amendments to the original budget as adopted.

#### NOTE C--CASH AND INVESTMENTS

##### Primary Government and Component Units (Except County Hospital)

Deposits are carried at cost. Deposits of the county are at various banks in the name of the county treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 20 of 1943, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The county's deposits are in accordance with statutory authority.

The county has designated five financial institutions within the county for deposit of county funds. The investment policy adopted by the board is in accordance with Public Act 20 of 1943, as amended, and includes all of the above investments.

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--CASH AND INVESTMENTS (Continued)

The risk disclosures for the county's deposits at September 30, 2006 for the county and the hospital, respectively, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	<u>\$1,760,585</u>	<u>\$143,313</u>	<u>\$768,591</u>	<u>\$2,672,489</u>
Total	<u><u>\$1,760,585</u></u>	<u><u>\$143,313</u></u>	<u><u>\$768,591</u></u>	<u><u>\$2,672,489</u></u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 2,671,864	\$3,771,124
Petty Cash and Cash on Hand	<u>625</u>	<u>100</u>
Total	<u><u>\$ 2,672,489</u></u>	<u><u>\$3,771,224</u></u>

The bank balance of the primary government's deposits is \$2,717,272, of which \$500,000 is covered by Federal depository insurance. The component units' deposits had a bank balance of \$1,359,055 of which \$341,244 was covered by Federal depository insurance.

### Investments Authorized by the County's Investment Policy

The county's investment policy only authorizes investment in all those that are authorized by law and have limited their investments to money markets.

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the county manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

### Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE C--CASH AND INVESTMENTS (Continued)

The investment policy of the county contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

##### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

##### Component Unit--County Hospital

The County Hospital's cash and investments are subject to several types of risk which are examined in more detail below:

##### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The local government does not have a deposit policy for custodial credit risk. At September 30, 2006, the County Hospital had \$2,320,328 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The County Hospital believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County Hospital evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

##### Interest Rate Risk

Interest risk is the risk that the value of investments will decrease as a result of a risk in interest rates. The County Hospital's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:



# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--CASH AND INVESTMENTS (Continued)

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Government Obligations Fund	\$ 109,658	1 month

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County Hospital has no investment policy that would further limit its investment choices. As of year end, the credit ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Organization</u>
Government Obligations Fund	\$ 109,658	AAA	Fitch

### NOTE D--ACCOUNTS RECEIVABLE

#### Road Commission (Component Unit)

The accounts receivable of the County Road Fund consist primarily of charges to other agencies, businesses, and individuals for services and materials provided by the Road Commission on a cost reimbursement basis. All accounts are current and collectible.

#### County Hospital (Component Unit)

The Hospital Operating Fund accounts receivable balances, at their fiscal year ended September 30, 2006, may be summarized as follows:

Patient Accounts Receivable	\$ 4,311,900
Less: Allowance for Uncollectible Accounts	(742,311)
Allowance for Contractual Adjustments and Interim Payment Advances	<u>(1,281,071)</u>
Patient Accounts Receivable--Net	2,288,518
Other Accounts Receivable	<u>411,572</u>
Total Accounts Receivable	<u><u>\$ 2,700,090</u></u>

COUNTY OF BARAGA  
NOTES TO FINANCIAL STATEMENTS

NOTE E--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>		<u>Fund</u>	<u>Interfund Payable</u>
Non-Major Enterprise Funds	<u>\$ 226,000</u>	(a)	2005 Tax Revolving	<u>\$ 226,000</u>
Total Primary Government	<u><u>\$ 226,000</u></u>			<u><u>\$ 226,000</u></u>
Component Unit Hospital	<u>\$ 639,917</u>		Primary Government Hospital Bond Debt	<u>\$ 639,917</u>
	<u><u>\$ 639,917</u></u>			<u><u>\$ 639,917</u></u>

(a) \$226,000 is not shown on Exhibit D because it was eliminated in accordance with GASB No. 34 provisions.

The operating transfers can be classified as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers (Out)</u>
Primary Government General	<u>\$ 214,537</u>	Primary Government Revenue Sharing	<u>\$ 158,957</u>
		Non-Major Enterprise Fund	<u>55,580</u>
Subtotal	<u>214,537</u>		<u>214,537</u>
Nonmajor Governmental Revenue Sharing	<u>52,300</u> <u>458,000</u>	General	<u>510,300</u>
Subtotal	<u>510,300</u>		<u>510,300</u>
Total Primary Government	<u><u>\$ 724,837</u></u>	Total Primary Government	<u><u>\$724,837</u></u>
Component Unit Hospital	<u>\$ 275,573</u>	Primary Government Hospital Bond Debt	<u>\$275,573</u>
	<u><u>\$ 275,573</u></u>		<u><u>\$275,573</u></u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--RESERVE FOR SELF-INSURANCE

#### Road Commission--(Component Unit)

The Baraga County Board of Road Commissioners' policy is to self-insure for fleet collision coverage and employee group life coverage. The Collision Insurance Reserve Account was established in 1969 and the Life Insurance Reserve Account in 1982. The reserve accounts are funded by annual transfers of amounts equal to what the approximate premium would be on the respective coverage, plus interest earned on interest-bearing deposits of the reserve account. The Road Commission's policy provides that the transfers of premium amounts will be discontinued when the annual interest earnings on the reserve account is greater than the estimated premium cost. All collision repair costs on road equipment and group life benefit payments are expended when paid and closed to the respective reserve account at year end.

	Collision Insurance Reserve	Life Insurance Reserve	Total Self-Insurance Reserve
Balance--October 1, 2005	\$ 152,359	\$ 73,411	\$ 225,770
Additions			
Interest Earned	<u>2,292</u>	<u>1,104</u>	<u>3,396</u>
Balance--September 30, 2006	<u><u>\$ 154,651</u></u>	<u><u>\$ 74,515</u></u>	<u><u>\$ 229,166</u></u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Account Balances 09/30/05	Additions	Deductions	Account Balances 09/30/06
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 238,000			\$ 238,000
Subtotal	238,000	\$ -	\$ -	238,000
Capital Assets Being Depreciated				
Land Improvements	42,000			42,000
Buildings and Building Improvements	1,976,734			1,976,734
Equipment	37,465	8,733		46,198
Vehicles	135,917	14,920		150,837
Total	2,192,116	23,653	-	2,215,769
Less Accumulated Depreciation				
Land Improvements	30,800	1,400		32,200
Buildings and Building Improvements	575,832	43,336		619,168
Equipment	10,742	6,463		17,205
Vehicles	112,832	9,768		122,600
Total	730,206	60,967	-	791,173
Net Capital Assets Being Depreciated	1,461,910	23,653	60,967	1,424,596
Total Net Capital Assets	<u>\$ 1,699,910</u>	<u>\$ 23,653</u>	<u>\$ 60,967</u>	<u>\$ 1,662,596</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$19,679
Public Safety	<u>41,288</u>
Total Depreciation Expense	<u>\$60,967</u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--CAPITAL ASSETS (Continued)

#### Road Commission--Discretely Presented Component Unit

	Account Balances 10/01/05	Additions	Deductions	Account Balances 09/30/06
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 106,277			\$ 106,277
Infrastructure--Land Improvements	3,666,277	\$ 1,386,442		5,052,719
Subtotal	3,772,554	1,386,442	\$ -	5,158,996
Capital Assets Being Depreciated				
Buildings	495,326			495,326
Road Equipment	5,382,777	329,248	459,279	5,252,746
Shop Equipment	100,926	3,535		104,461
Office Equipment	130,886	336		131,222
Engineers' Equipment	103,559			103,559
Stockroom Equipment	42,653	2,553	3,021	42,185
Depletable Assets	53,083			53,083
Infrastructure--Bridges	2,807,429	771,675		3,579,104
Infrastructure--Roads	1,184,878	245,497		1,430,375
Total	10,301,517	1,352,844	462,300	11,192,061
Less Accumulated Depreciation				
Buildings	302,975	11,015		313,990
Road Equipment	4,645,002	291,610	434,417	4,502,195
Shop Equipment	77,457	4,691		82,148
Office Equipment	38,027	13,946		51,973
Engineers' Equipment	56,901	8,508		65,409
Stockroom Equipment	36,132	2,325	3,021	35,436
Depletable Assets	52,679	405		53,084
Infrastructure--Bridges	11,930	74,062		85,992
Infrastructure--Roads	22,639	60,542		83,181
Total	5,243,742	467,104	437,438	5,273,408
Net Capital Assets Being Depreciated	5,057,775	1,352,844	491,966	5,918,653
Total Net Capital Assets	\$ 8,830,329	\$ 2,739,286	\$ 491,966	\$ 11,077,649

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--CAPITAL ASSETS (Continued)

#### Road Commission--Discretely Presented Component Unit

Depreciation expense was charged to programs of the Road Commission as follows:

Net Equipment Expense	
Direct Equipment	\$ 291,611
Indirect Equipment	23,443
Net Administrative Expenses	
Office	6,324
Engineering	9,787
Building	930
Depletable Assets	405
Infrastructure Depreciation	<u>134,604</u>
Total Depreciation Expense	<u><u>\$ 467,104</u></u>

#### County Hospital--Discretely Presented Component Unit

	Account Balances 09/30/05	Additions	Deductions	Account Balances 09/30/06
Capital Assets Not Being Depreciated				
Land	\$ 153,337			\$ 153,337
Subtotal	<u>153,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>153,337</u>
Capital Assets Being Depreciated				
Land Improvements	600,510		992	599,518
Buildings	11,887,730	148,400		12,036,130
Equipment	4,433,229	587,226	28,170	4,992,285
Construction in Progress	<u>101,845</u>		<u>101,845</u>	
Total	<u>17,023,314</u>	<u>735,626</u>	<u>131,007</u>	<u>17,627,933</u>
Less Accumulated Depreciation				
Land Improvements	251,911	37,679		289,590
Buildings	6,463,345	593,633		7,056,978
Equipment	<u>3,096,335</u>	<u>474,135</u>	<u>23,720</u>	<u>3,546,750</u>
Total	<u>9,811,591</u>	<u>1,105,447</u>	<u>23,720</u>	<u>10,893,318</u>
Net Capital Assets Being Depreciated	<u>7,211,723</u>	<u>735,626</u>	<u>1,212,734</u>	<u>6,734,615</u>
Total Net Capital Assets	<u><u>\$ 7,365,060</u></u>	<u><u>\$ 735,626</u></u>	<u><u>\$ 1,212,734</u></u>	<u><u>\$ 6,887,952</u></u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--CAPITAL ASSETS (Continued)

#### County Hospital--Discretely Presented Component Unit

Depreciation expense was \$1,105,447 for the year ended September 30, 2006.

### NOTE H--LONG-TERM DEBT

#### Primary Government

The general long-term debt and other general long-term obligations of Baraga County, and changes therein, may be summarized as follows:

	Balance 10/01/05	Additions (Reductions)	Balance 09/30/06	Due Within One Year
<u>Primary Government</u>				
1998 Hospital Improvement Refunding Bonds maturing serially in annual amounts ranging from \$10,000 to \$185,000 at interest ranging from 4.10% to 4.80%	\$ 1,145,000	\$ (140,000)	\$ 1,005,000	\$ 150,000
1997 Jail Building Bonds maturing serially in annual amounts ranging from \$25,000 to \$175,000 at interest ranging from 4.65% to 7.5%	1,000,000	(100,000)	900,000	125,000
Accrued Employee Benefits Payable County General Employees (See Note I)	99,482	13	99,495	
Total Primary Government	<u>\$ 2,244,482</u>	<u>\$ (239,987)</u>	<u>\$ 2,004,495</u>	<u>\$ 275,000</u>
<u>Component Unit--Board of Public Works</u>				
1979 DPW Sanitary Sewer System No. 2 Bonds maturing serially in annual amounts ranging from \$20,000 to \$70,000 at 5% interest	\$ 755,000	\$ (60,000)	\$ 695,000	\$ 60,000
2002 DPW Sanitary Sewer System Bonds maturing serially in annual amounts ranging from \$16,000 to \$95,000 at 4.5% interest	1,699,000	(19,000)	1,680,000	20,000
Total Component Unit--Board of Public Works	<u>\$ 2,454,000</u>	<u>\$ (79,000)</u>	<u>\$ 2,375,000</u>	<u>\$ 80,000</u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT (Continued)

<u>Component Unit--Road Commission Installment Purchase Agreement</u>	<u>Balances 10/01/05</u>	<u>Additions (Reductions)</u>	<u>Balances 09/30/06</u>	<u>Due Within One Year</u>
Payable to Commercial National Bank for				
One CAT D3 Dozer	\$ 5,250	\$ (5,250)	-	
One Case 821 C Loader	12,248	(12,248)	-	
Four CAT 140H Motor Graders	304,705	(163,116)	\$ 141,589	\$ 141,589
Payable to De Lage Landen Financial Services				
Software System	71,769	(24,028)	47,741	25,426
State Infrastructure Bank (SIB) Loan	275,000		275,000	275,000
Vested Employee Benefits Payable				
Vacation Benefits	85,251	89	85,340	
Sick Leave Benefits	263,740	(30,545)	233,195	
Total	<u>\$1,017,963</u>	<u>\$ (235,098)</u>	<u>\$ 782,865</u>	<u>\$ 442,015</u>

### Component Unit--County Hospital

Mortgage note is due in monthly payments of \$20,000, including interest at 3.7% through January 2009. Thereafter, the monthly payment will be recomputed with interest at prime rate, as determined by the Wall Street Journal, plus 1.25% over the remaining life of the loan, which matures June 2018. This note is collateralized by substantially all assets of the Hospital Corporation. The proceeds from this note were used to refinance the above mortgage note.

\$ 2,390,527	\$ (154,148)	\$ 2,236,379	\$ 159,949
--------------	--------------	--------------	------------

Bank note is due in monthly payments of \$19,500, including interest at 3.7% through January 2009. Thereafter, the monthly payment will be recomputed with interest at prime rate, as determined by the Wall Street Journal, plus 1.25% over the remaining life of the loan, which matures March 2004. This note is collateralized by substantially all assets of the Hospital. The proceeds from this note were used to refinance the bank note, equipment notes and mortgage that follow.

1,237,943	(191,651)	1,046,292	198,626
-----------	-----------	-----------	---------

Bank note is due in monthly payments of \$8.929, including interest at a variable rate of base savings rate, as determined by Commercial National Bank of L'Anse, Michigan, plus 1.25%, an effective rate of 2.75% at September 30, 2005. This note matures on August 25, 2010 and is collateralized by a savings account required on an annual basis to match payoff on the loan.

492,239	(94,579)	397,660	97,448
---------	----------	---------	--------

Total	<u>\$ 4,120,709</u>	<u>\$ (440,378)</u>	<u>\$ 3,680,331</u>	<u>\$ 456,023</u>
-------	---------------------	---------------------	---------------------	-------------------



# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT (Continued)

#### Primary Government

#### 1998 Baraga County Memorial Hospital Improvement Refunding Bonds

The 1998 Baraga County Memorial Hospital Improvement Refunding Bonds are general obligation limited tax bonds which were sold for the purpose of providing funds to redeem \$1,370,000 of those 1991 Baraga County Memorial Hospital Improvement Bonds which were due in the years 2002 through 2011. The bonds are secured by a pledge of the extra voted 2.5 mills approved by the voters of Baraga County on October 2, 1990 to provide the money required to meet the principal and interest on these bonds.

Fiscal Year	April 1 Interest	October 1		Total
		Interest	Principal	
2007	\$ 20,321	\$ 23,771	\$ 150,000	\$ 194,092
2008	16,718	20,321	155,000	192,039
2009	12,840	16,718	165,000	194,558
2010	8,760	12,840	170,000	191,600
2011	4,440	8,760	180,000	193,200
2012		4,440	185,000	189,440
	<u>\$ 63,079</u>	<u>\$ 86,850</u>	<u>\$ 1,005,000</u>	<u>\$ 1,154,929</u>

#### 1997 Jail Building Bonds

The 1997 Baraga County Jail Bonds are general obligation unlimited tax bonds which were sold for the purpose of building a new jail. The bonds are secured by a pledge of the extra voted mills approved by the voters of Baraga County on August 6, 1996 to provide the money required to meet the principal and interest on these bonds.

Fiscal Year	October 1 Interest	April 1		Total
		Interest	Principal	
2007	\$ 22,469	\$ 22,469	\$ 125,000	\$ 169,938
2008	19,375	19,375	125,000	163,750
2009	16,250	16,250	150,000	182,500
2010	12,500	12,500	150,000	175,000
2011	8,750	8,750	175,000	192,500
2012	4,375	4,375	175,000	183,750
	<u>\$ 83,719</u>	<u>\$ 83,719</u>	<u>\$ 900,000</u>	<u>\$1,067,438</u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT (Continued)

#### Component Unit--Board of Public Works

#### 1979 DPW Sewage System #2 Bonds

The 1979 DPW Sewage System #2 Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.6%) and L'Anse Township (16.4%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds.

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2007	\$ 17,375	\$ 17,375	\$ 60,000	\$ 94,750
2008	15,875	15,875	65,000	96,750
2009	14,250	14,250	65,000	93,500
2010	12,625	12,625	70,000	95,250
2011	10,875	10,875	65,000	86,750
2012-2017	31,125	31,125	370,000	432,250
	<u>\$ 102,125</u>	<u>\$102,125</u>	<u>\$695,000</u>	<u>\$899,250</u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT (Continued)

#### 2002 DPW Sewage System Improvements Bonds

The 2002 DPW Sanitary Sewage System Improvements Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.56%) and L'Anse Township (16.44%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds. The total bond issue approved by the U.S. Department of Agriculture, Rural Development is \$1,750,000. As of September 30, 2004, a total of \$1,728,000 of this bond issue has been drawn down for the sewage system improvement project with interest payable at 4.5% per annum with interest payable semi-annually. During September 30, 2005, the final draw down was received in the amount of \$22,000 bringing the bond issue total to \$1,750,000. There is no set interest schedule printed for bond issues because it changes based upon when the payment is delivered to the USDA.

<u>Fiscal Year</u>	<u>July 1 Principal</u>
2007	\$ 20,000
2008	20,000
2009	21,000
2010	22,000
2011	23,000
2012-2014	75,000
2015-2019	152,000
2020-2024	188,000
2025-2029	235,000
2030-2034	293,000
2035-2039	366,000
2040-2042	265,000
	<u>\$1,680,000</u>

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT (Continued)

#### Component Unit--Road Commission

##### Installment Purchase Contracts

The installment purchase contract was entered into on July 16, 2003 for the purchase of Four CAT 140H Motor Graders for a total cost of \$635,802 from Commercial National Bank. The agreement bears interest at 4.04% per annum with 48 monthly payments of \$14,367.19 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$ 141,589</u>	<u>\$2,625</u>	<u>\$144,214</u>
Total	<u><u>\$ 141,589</u></u>	<u><u>\$2,625</u></u>	<u><u>\$144,214</u></u>

The installment purchase contract was entered into on May 5, 2005 for the purchase of a new software system for a total cost of \$75,642 from De Lage Landen Financial Services, Inc. The agreement bears interest at 5.82% per annum with 36 monthly payments of \$2,289.84 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 25,426	\$ 2,052	\$ 27,478
2008	<u>22,315</u>	<u>584</u>	<u>22,899</u>
Total	<u><u>\$ 47,741</u></u>	<u><u>\$ 2,636</u></u>	<u><u>\$ 50,377</u></u>

The State Infrastructure Bank loan contract was entered into on February 13, 2004 for the purchase of financing infrastructure improvements for a total cost of \$275,000 from Michigan Department of Treasury. The agreement bears no interest and the full amount is due February 13, 2007.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$275,000</u>	<u>          </u>	<u>\$275,000</u>
Total	<u><u>\$275,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$275,000</u></u>

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE H--LONG-TERM DEBT (Continued)

The County Hospital's long-term liabilities are summarized as follows:

The following is a schedule, by years, of debt principal and interest as of September 30, 2006.

	<u>Principal</u>	<u>Interest</u>
2007	\$ 456,023	\$125,129
2008	471,920	109,231
2009	489,011	92,140
2010	497,709	74,745
2011	391,304	58,348
2012-2016	1,036,924	163,076
2017-2018	<u>337,440</u>	<u>9,637</u>
	<u>\$ 3,680,331</u>	<u>\$632,306</u>

In connection with the bank notes payable, the corporation has agreed to certain covenants including submission of monthly financial statements to the banks, limitation on additional debt, and maintenance of certain financial ratios.

#### NOTE I--COMPENSATED ABSENCES

The County and the Road Commission (component unit) have an accrued liability to their employees for accumulated vested vacation and sick leave benefits that are recorded in the long-term debt at September 30, 2006.

##### County Hospital (Component Unit)

The accrued liability for compensated absences of the County Hospital employees is charged to operations when it is earned. Unused benefits are recorded as current liabilities on the County Hospital financial statements.

#### VACATION BENEFIT POLICIES

##### County General Employees

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on an employee's years of service. The annual vacation benefits earned by each employee are credited on his or her employment anniversary date. Employees are required to use their vacation benefits within 1 year.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE H--LONG-TERM DEBT (Continued)

##### Road Commission (Component Unit) Employees

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of an employee. The amount of vacation time accrued by December 31st of the current year shall be taken off the following year.

##### SICK LEAVE BENEFIT POLICIES

##### County General Employees

The county's employment policies provide for sick leave benefits to be earned at the rate of 1 day per month for full-time employees and 1/2 day per month for half-time employees, with a maximum accumulation of 120 days. An employee may use sick days for personal days at the rate of 2 sick for 1 personal; this may be done twice a year, regardless of the total sick days accumulated. After 48 sick days have been accumulated, with the approval of the department head, an employee may trade sick days on a 2-to-1 ratio for personal days.

When county general employees separate from employment, for whatever reason, they are paid at their current pay rate for accumulated sick days up to a maximum payment of 60 days, determined on the basis of total years of employment with the county as follows:

- |   |             |
|---|-------------|
| a) Starting date through the end of 10th year of employment       | 50 percent  |
| b) First day of 11th employment year to termination of employment | 100 percent |

##### Road Commission (Component Unit) Employees

The Road Commission employment policies provide for sick leave benefits to accumulate at the rate of 1 day per month for all regular employees who have worked more than 1/2 of the normal working hours during the month. There is no limit on accumulation of sick leave and accumulated benefits shall be paid at the employee's prevailing rate of pay in accordance with the following policy:

- a) Retirement or Death--An employee shall receive pay in a lump sum for accumulated sick leave at the following rate: 100% of the first 120 days and 50% of the remainder.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE I--COMPENSATED ABSENCES (Continued)

- b) Resignation--An employee shall receive pay in a lump sum for accumulated vested sick leave computed as follows:

0 to 5 years	No sick leave benefits
5 to 10 years	50% of accumulated benefits
10 to 15 years	75% of the first 120 days and 50% of the remainder
15 or more years	100% of the first 120 days and 50% of the remainder

The sick leave benefits liability recorded in long-term debt reflects only those vested benefits which would be payable if an employee terminates employment.

#### NOTE J--RISK MANAGEMENT

The County, Road Commission (component unit), and Memorial Hospital (component unit) are exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees.

##### County General

The county board of commissioners has purchased commercial insurance for property, liability, errors and omissions, medical benefit claims, and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

##### Road Commission (Component Unit)

The Road Commission has purchased commercial insurance for medical benefit claims, self-insures for fleet collision, and employee group life coverage as detailed in Note H. It also participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial and pool insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool), pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Baraga County Road Commission became a member of the Pool in 1980 for workers' compensation insurance and in 1984 for liability and property coverage.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE J--RISK MANAGEMENT (Continued)

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

#### County Hospital (Component Unit)

The County Hospital is exposed to various risks of loss related to property loss, errors and omissions, employee injuries (workers' compensation), and professional liability claims as well as medical benefits provided to employees. The County Hospital has purchased commercial insurance for property loss, torts, and errors and omissions and participates in the Michigan Hospital Association Risk Pool for claims related to employee injuries (workers' compensation) and unemployment. Effective October 1, 2006, the County Hospital became self-insured for medical benefits provided to employees. The County Hospital has purchased a stop-loss insurance policy to cover individual medical claims in excess of \$50,000. Settled claims relating to commercial insurance have not exceeded the amount of insurance in any of the past three years.

The Michigan Hospital Association Risk Pool program operates as a common risk-sharing management program for hospitals in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

The County Hospital estimates the liability for medical claims that have been incurred through the end of the fiscal year, including both claims that have been reported as well as those that have not yet been reported. These estimates are recorded as a current liability.

Changes in the estimated liability for the year ended September 30, 2006, is as follows:

Estimated Liability--Beginning of Year	
Estimated Claims Incurred, Including Changes in Estimates	\$ 672,011
Claim Payments	<u>672,011</u>
Estimated Liability--End of Year	<u>\$ -</u>

The County Hospital is also insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the County Hospital must pay a deductible toward the costs of litigating or settling any asserted claims. In addition, the County Hospital bears the risk of the ultimate cost of any individual claims exceeding the policy limits for claims asserted in the policy year. As of September 30, 2006, there was no accrual recorded for this contingency.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.



## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE K--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT

##### Plan Description

Baraga County is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty-connected death allowance and post-retirement adjustments to plan members and their beneficiaries. The county service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation for the General County Employees and the Sheriff's Department. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2005.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended, (MCL 46.12a) State of Michigan. MERS is regulated under Public Act 220 of 1996, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

##### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining units. The county's pension contributions were 14.66% and 10.78% of covered payroll for the year 2005 for the general county employees and sheriff's department, respectively.

##### Annual Pension Cost

For the calendar year ended December 31, 2005, the county's pension cost was \$136,502 which was equal to the county's required and actual contributions. The required pension contributions for the year 2005 was determined as part of an actuarial valuation at December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE K--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT (Continued)

#### Three-Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 117,794	100%	0
2004	135,528	100%	0
2005	136,502	100%	0

#### Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percent of Covered Payroll</u>
12/31/03	\$ 2,981,077	\$ 3,596,587	\$ (615,510)	83%	\$ 976,332	63%
12/31/04	3,174,294	3,726,248	(551,954)	85%	995,770	55%
12/31/05	3,351,828	4,023,122	(671,294)	83%	1,029,939	65%

### NOTE L--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT)

#### Description of Plan and Plan Assets

The Baraga County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.00% times the final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended, (MCL 46.12a) State of Michigan. The MERS actuarial report was made in accordance with generally recognized actuarial methods in compliance with Public Act 220 of 1996, as amended, and the MERS plan document as revised. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE L--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT) (Continued)

#### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 14.69% for the calendar year ending December 31, 2005.

#### Annual Pension Cost

During the calendar year ended December 31, 2005, the Road Commission's contributions totaling \$149,244 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

#### Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 113,841	100%	\$0
2004	127,965	100%	0
2005	149,244	100%	0

#### Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/03	\$4,195,102	\$5,630,744	\$ 1,435,642	75%	\$1,078,124	133%
12/31/04	4,197,945	5,855,691	1,657,746	72%	1,035,844	160%
12/31/05	4,200,480	6,245,601	2,045,121	67%	1,068,489	191%

Significant actuarial assumptions used include:

- 1) Long-term investment yield rate of 8%;
- 2) Annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases; and
- 3) Base inflation of 4.5%.

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE M--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT)

#### Plan Description

The County Hospital sponsors both a defined benefit plan and a defined contribution plan. The County Hospital participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the County Hospital. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Road, Lansing, Michigan, 48917.

#### Funding Policy

Benefit provisions of the MERS, and employer and employee obligations to contribute are outlined in Public Act 427 of 1984, as amended. Pension expenses consist of normal costs of the plan and amortization of investment gains over a 10-year period.

#### Annual Pension Cost

The County Hospital's contributions to the plan amounted to \$468,652 and \$439,538 in 2006 and 2005, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at December 31, 2005 and 2004.

Three-year trend information showing the progress of the County Hospital's status regarding key indicators is as follows:

	As of December 31		
	2005	2004	2003
Annual Pension Cost (APC)	\$ 468,652	\$ 439,538	\$ 444,715
Percentage of APC Contributed	100%	100%	100%
Actuarial Value of Assets	8,646,403	8,004,820	7,293,365
Actuarial Accrued Liability (Entry Age)	12,075,819	11,817,119	10,560,612
Unfunded Actuarial Accrued Liability (UAAL)	(3,429,416)	(3,812,299)	(3,267,247)
Funded Ratio	71.60%	67.74%	69.06%
Covered Payroll	4,995,226	5,483,909	5,217,454
UAAL as a Percentage of Covered Payroll	68.65%	69.52%	62.62%

# COUNTY OF BARAGA

## NOTES TO FINANCIAL STATEMENTS

### NOTE M--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT) (Continued)

#### Defined Contribution

The County Hospital also maintains a defined contribution plan covering exempt employees hired after May 1, 2001, and all other exempt employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute either 0 or 3 percent of their gross earnings and the County Hospital will contribute 5.57 percent of gross earnings for participants. The County Hospital's contributions to the plan amounted to \$124,701 and \$111,413 in 2006 and 2005, respectively.

### NOTE N--HOSPITAL BOND DEBT MILLAGE

In October 1990, Baraga County voters approved a referendum authorizing the county to issue general obligation bonds in the amount of \$2,000,000 with the proceeds used to partially finance a hospital construction project. Debt service on the bonds is being provided by an additional tax of 2.5 mills; the County Hospital has no obligation for repayment of the bonds. Tax receipts received by the county from the 2.5 mills that exceed the annual debt service on the bonds are to be utilized by the County Hospital for capital expenditures. During the years ended September 30, 2006 and 2005, the excess millage funds amounted to \$275,573 and \$285,916, respectively, which are shown as an increase to the County Hospital's General Fund balance. At September 30, 2006 and 2005, the County Hospital had a receivable of \$639,917 and \$714,344, respectively, for these funds.

### NOTE O--CONCENTRATIONS OF CREDIT RISK--COUNTY HOSPITAL (COMPONENT UNIT)

The County Hospital (component unit) is located in L'Anse, Michigan. The County Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2006 and 2005, was as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Hospital</u>	<u>Component Unit</u>	<u>Hospital</u>	<u>Component Unit</u>
Medicare	32%	7%	32%	16%
Blue Cross	22%	0%	20%	0%
Medicaid	13%	86%	23%	70%
Commercial	15%	0%	12%	0%
Patients	18%	7%	13%	14%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE P--POST-EMPLOYMENT BENEFITS

##### Primary Government

The county provides post-employment health care benefits, in accordance with Article 32 of the labor contracts and personnel policy, to any employees who retire from the county at age 62 with 14 years of continuous service with the county work force. The county will pay hospitalization premiums until the employee reaches age 65. Coverage is intended for the entire family. The provision does not apply to anyone retiring before age 62 or anyone not working full-time. The county's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2006, two retirees and/or disabled employees were eligible for this benefit at a total cost of \$24,959.

##### Road Commission (Component Unit)

In addition to the pension benefits described in Note L, the Baraga County Road Commission provides post-employment health care insurance benefits to certain retired or permanently disabled union and administrative employees and/or their spouse in accordance with the following provisions:

##### Retired Union Employees

The hospital and medical coverage benefits are provided in accordance with Article 33(A.2a) and 33(A.2b) in the union agreement. Article 33(A.2a) states: When an employee elects to retire early and has at least twenty (20) years of continuous service with the Road Commission, the Road Commission agrees to continue to pay the premiums for the lesser of: (1) five years; or (2) until the employee's qualification for Medicare or death. Article 33(A.2b) states: For employees employed as of December 31, 1998 electing to retire early, the Road Commission agrees to continue to pay the premiums from age 62 to 65 or until the employee qualifies for Medicare or death, whichever comes sooner, even if the employee has not completed such twenty (20) years.

##### Retired Administrative Employees

The benefits are provided in accordance with Section 10(A.2) of the "General Employee Policy pertaining to Non-Bargaining Unit Employees," which includes the provision that when an employee elects to retire early, the Road Commission agrees to pay the medical insurance premium from age 60 to 65 or until the employee qualifies for Medicare, whichever comes sooner.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE P--POST-EMPLOYMENT BENEFITS (Continued)

##### Permanently Disabled Employees

The benefits are provided in accordance with a board of road commissioners' policy adopted on November 13, 1996, which includes the provision that any regular employee having 20 years of service with the Road Commission who becomes permanently disabled, or any regular employee having 5 years of service with the Road Commission who becomes permanently disabled after reaching age 55, shall be eligible for health insurance benefits for a 36 month period. Said period shall commence the month after the month of the last day worked. Eligible employees are those who have been determined to be permanently disabled and are receiving social security disability and MERS retirement benefits. During the three year period under this policy, the Road Commission will pay the premiums for primary coverage until such time that the employee qualifies for Medicare Part B, at which time the Road Commission will pay the premium for secondary coverage.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2006, nine retirees and/or disabled employees were eligible for this benefit at a total cost of \$63,480.

#### NOTE Q--FEDERAL GRANTS--ROAD COMMISSION (COMPONENT UNIT)

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2006, the Federal aid expended by the Road Commission was \$108,839 for contracted projects and \$1,666,535 for negotiated projects. The Federal aid received by the Road Commission was \$108,839 for contracted projects and \$1,666,535 for negotiated projects. The difference between the revenue and expenditures for negotiated projects is due to FEMA projects in progress at September 30, 2006, which are to be billed after project completions. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's Single Audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission and are subject to a single audit if the expenditures exceeded \$500,000.

## COUNTY OF BARAGA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE R--DEFERRED COMPENSATION

##### Primary Government

Baraga County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of the Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in these financial statements.

##### Road Commission (Component Unit)

The Baraga County Road Commission offers all Road Commission employees a choice of three deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. During 1998, the assets of the plan were held in a trust in a custodial account as described in IRS Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are: Nationwide Retirement Solutions, and EF Jones Insurance and are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

During 2006, the Road Commission ended their agreement with Hartford Life Insurance Company. Employees with funds in the Hartford plan can continue to have their funds with the plan until they individually elect to move their funds out of the plan.



**COUNTY OF BARAGA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year Ended September 30, 2006**

**EXHIBIT K**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance--October 1, 2005	\$ 465,884	\$ 465,884	\$ 465,884	-
Resources (Inflows)				
Property Taxes	2,063,122	2,235,322	# 2,048,821	\$ (186,501)
Licenses and Permits	2,700	2,700	3,997	1,297
Federal Grants	51,500	98,500	97,444	(1,056)
State Grants	293,730	382,630	349,817	(32,813)
Contributions From Local Units of Government	-	-	5,979	5,979
Charges for Services	329,700	318,700	330,013	11,313
Fines and Forfeitures	10,100	10,100	8,914	(1,186)
Interest and Rentals	16,000	19,500	22,239	2,739
Other Revenue	95,870	91,870	46,570	(45,300)
Transfers From Other Funds	218,879	223,957	214,537	(9,420)
Amounts Available for Appropriation	3,547,485	3,849,163	3,594,215	(254,948)
Charges to Appropriations (Outflows)				
Current				
General Government	1,052,414	1,556,345	1,514,484	41,861
Public Safety	632,754	1,038,422	1,016,367	22,055
Health and Welfare	148,709	164,006	159,746	4,260
Community and Economic Development	6,496	6,496	6,096	400
Recreation and Culture	4,000	4,000	4,000	-
Other Functions	690,195	100,869	92,924	7,945
Capital Outlay	29,233	24,233	23,653	580
Transfers to Other Funds	517,800	510,300	510,300	-
Total Charges to Appropriations	3,081,601	3,404,671	3,327,570	77,101
Fund Balance--September 30, 2006	\$ 465,884	\$ 444,492	\$ 266,645	\$ (177,847)

**BARAGA COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**911 WIRELESS--MAJOR SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2006**

**EXHIBIT L**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants	\$ 82,000	\$ 82,000	\$ 91,798	\$ 9,798
Total Revenues	82,000	82,000	91,798	9,798
Expenditures				
Current				
Public Safety	75,000	75,000	54,888	20,112
Total Expenditures	75,000	75,000	54,888	20,112
Excess of Revenues Over (Under) Expenditures	7,000	7,000	36,910	29,910
Fund Balance--October 1, 2005	199,055	200,942	200,942	-
Fund Balance--September 30, 2006	\$ 206,055	\$ 207,942	\$ 237,852	\$ 29,910

**BARAGA COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**REVENUE SHARING**  
**For the Year Ended September 30, 2006**

**EXHIBIT M**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest Earned on Deposits	\$ 3,000	\$ 6,957	\$ 10,705	\$ 3,748
Total Revenues	3,000	6,957	10,705	3,748
Expenditures				
Current	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	3,000	6,957	10,705	3,748
Other Financing Sources (Uses)				
Interfund Transfers In	458,000	458,000	458,000	-
Interfund Transfers (Out)	(155,000)	(158,057)	(158,957)	(900)
Total Other Financing Sources (Uses)	303,000	299,943	299,043	(900)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	306,000	306,900	309,748	2,848
Fund Balance--October 1, 2005	271,254	271,261	271,261	-
Fund Balance--September 30, 2006	\$ 577,254	\$ 578,161	\$ 581,009	\$ 2,848

COUNTY OF BARAGA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2006

EXHIBIT N

	SPECIAL REVENUE FUNDS								DEBT SERVICE FUND	
	Friend of the Court	Register of Deeds Automation	Senior Citizens	Law Library	Housing Rehabilitation 2005-2006 Grant	Probate Child Care	Veterans' Affairs	Veterans' Trust	Jail Bond Debt	Total
<b><u>ASSETS</u></b>										
Cash	\$ 26,768	\$ 6,258	\$ 59,886	\$ 1,219	\$ 10,470	\$ 5,218	\$ 7,303	\$ 2,332	\$ 112,636	\$ 232,090
Due From State of Michigan						2,993				2,993
Total Assets	\$ 26,768	\$ 6,258	\$ 59,886	\$ 1,219	\$ 10,470	\$ 8,211	\$ 7,303	\$ 2,332	\$ 112,636	\$ 235,083
<b><u>LIABILITIES AND FUND EQUITY</u></b>										
Liabilities										
Accounts Payable				\$ 922		\$ 26	\$ 963			\$ 1,911
Due to State of Michigan						6,598				6,598
Deferred Revenue--Other					\$ 10,470					10,470
Total Liabilities	\$ -	\$ -	\$ -	922	10,470	6,624	963	\$ -	\$ -	18,979
Fund Equity										
Fund Balances										
Unreserved--Undesignated	26,768	6,258	59,886	297	-	1,587	6,340	2,332		103,468
Reserved for Debt Service									112,636	112,636
Total Fund Equity	26,768	6,258	59,886	297	-	1,587	6,340	2,332	112,636	216,104
Total Liabilities and Fund Equity	\$ 26,768	\$ 6,258	\$ 59,886	\$ 1,219	\$ 10,470	\$ 8,211	\$ 7,303	\$ 2,332	\$ 112,636	\$ 235,083

**BARAGA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT O**

	<b>SPECIAL REVENUE FUNDS</b>									
	Friend of the Court	Register of Deeds Automation	Senior Citizens	Law Library	Housing Rehabilitation Grant 2005-2006	Probate Child Care	Veterans' Affairs	Veterans' Trust	Jail Bond Debt	Total
Revenues										
Taxes			\$ 178,890						\$ 160,249	\$ 339,139
Federal Grants					\$ 33,860	\$ 4,540				38,400
State Grants						12,182		\$ 191		12,373
Charges for Services	\$ 1,300	\$ 11,733			300	189				13,522
Fines and Forfeits				\$ 2,000						2,000
Interest and Rents									2,172	2,172
Other					42,841	13,763				56,604
Total Revenues	1,300	11,733	178,890	2,000	77,001	30,674	\$ -	191	162,421	464,210
Expenditures										
Current										
General Government	6,275	10,707		8,065						25,047
Health and Welfare			163,000			77,481	20,646	1,548		262,675
Community and Economic Development					79,051					79,051
Other										-
Debt Service										
Principal									100,000	100,000
Interest									50,438	50,438
Total Expenditures	6,275	10,707	163,000	8,065	79,051	77,481	20,646	1,548	150,438	517,211
Excess of Revenue Over (Under)										
Expenditures	(4,975)	1,026	15,890	(6,065)	(2,050)	(46,807)	(20,646)	(1,357)	11,983	(53,001)
Other Financing Sources (Uses)										
Primary Government										
Operating Transfers In				5,500	-	30,000	16,800			52,300
Operating Transfers (Out)										-
Total Other Financing Sources (Uses)	-	-	-	5,500	-	30,000	16,800	-	-	52,300
Fund Balance--October 1, 2005	31,743	5,232	43,996	862	2,050	18,394	10,186	3,689	100,653	216,805
Excess of Revenues and Other										
Sources Over (Under)										
Expenditures and Other Uses	(4,975)	1,026	15,890	(565)	(2,050)	(16,807)	(3,846)	(1,357)	11,983	(701)
Fund Balance--September 30, 2006	\$ 26,768	\$ 6,258	\$ 59,886	\$ 297	\$ -	\$ 1,587	\$ 6,340	\$ 2,332	\$ 112,636	\$ 216,104

**COUNTY OF BARAGA  
COMBINING NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
September 30, 2006**

**EXHIBIT P**

	100% TAX PAYMENT FUNDS						
	1999	2000	2001	2002	2003	2004	Total
<b><u>ASSETS</u></b>							
Cash and Cash Equivalents		\$ 62,597	\$ 3,946	\$ 10,088	\$ 40,353	\$ 25,734	\$ 142,718
Delinquent Taxes Receivable				134	318	29,987	30,439
Due From Other Funds		7,000	84,000	90,000	45,000		226,000
Fees Receivable						360	360
Total Assets	\$ -	\$ 69,597	\$ 87,946	\$ 100,222	\$ 85,671	\$ 56,081	\$ 399,517
<b><u>LIABILITIES</u></b>							
Liabilities							
Fees Payable						\$ 2,798	\$ 2,798
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	2,798	2,798
<b><u>NET ASSETS</u></b>							
Unrestricted	-	69,597	87,946	100,222	85,671	53,283	396,719
Total Net Assets	\$ -	\$ 69,597	\$ 87,946	\$ 100,222	\$ 85,671	\$ 53,283	\$ 396,719

**COUNTY OF BARAGA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--ENTERPRISE FUNDS (NON-MAJOR)**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT Q**

	<b>100% TAX PAYMENT FUNDS</b>						
	1999	2000	2001	2002	2003	2004	Total
Operating Revenues							
Interest and Penalties on Taxes				\$ 1,490	\$ 9,280	\$ 38,960	\$ 49,730
Total Operating Revenues	\$ -	\$ -	\$ -	1,490	9,280	38,960	49,730
Operating Expenses							
Administrative Expense	236	363	587		3,791	3,916	8,893
Total Operating Expense	236	363	587	-	3,791	3,916	8,893
Operating Income (Loss)	(236)	(363)	(587)	1,490	5,489	35,044	40,837
Nonoperating Revenue							
Interest Earned on Deposits				7,537			7,537
Net Income (Loss) Before Operating Transfers	(236)	(363)	(587)	9,027	5,489	35,044	48,374
Operating Transfers							
Transfer (Out)--Primary Government	(55,580)						(55,580)
Net Income (Loss)	(55,816)	(363)	(587)	9,027	5,489	35,044	(7,206)
Net Assets--October 1, 2005	55,816	69,960	88,533	91,195	80,182	18,239	403,925
Net Assets--September 30, 2006	\$ -	\$ 69,597	\$ 87,946	\$ 100,222	\$ 85,671	\$ 53,283	\$ 396,719

**COUNTY OF BARAGA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT R**

	<b>100% TAX PAYMENT FUNDS</b>						
	1999	2000	2001	2002	2003	2004	Total
Cash Flows From Operating Activities							
Interest and Penalties on Taxes				\$ 1,490	\$ 9,280	\$ 38,960	\$ 49,730
Administrative Expenses	\$ (236)	\$ (363)	\$ (587)		(3,791)	(3,916)	(8,893)
Delinquent Taxes Collected	101	291	577	(137)	24,764	246,576	272,172
Net Cash Provided by Operating Activities	(135)	(72)	(10)	1,353	30,253	281,620	313,009
Cash Flows From Noncapital Financing Activities							
(Increase) or Decrease in Other Receivables	135	72	10	85	480	(360)	422
(Increase) or Decrease in Advances to Other Funds		34,000					34,000
Increase or (Decrease) in Other Payables					(610)	2,798	2,188
Increase or (Decrease) in Advances From Other Funds						(260,000)	(260,000)
Transfers (Out)	(55,580)						(55,580)
Net Cash Provided by Noncapital Financing Activities	(55,445)	34,072	10	85	(130)	(257,562)	(278,970)
Cash Flows From Investing Activities							
Interest on Deposits				7,537			7,537
Net Increase (Decrease) in Cash and Cash Equivalents	(55,580)	34,000	-	8,975	30,123	24,058	41,576
Cash and Cash Equivalents--October 1, 2005	55,580	28,597	3,946	1,113	10,230	1,676	101,142
Cash and Cash Equivalents--September 30, 2006	\$ -	\$ 62,597	\$ 3,946	\$ 10,088	\$ 40,353	\$ 25,734	\$ 142,718
Reconciliation of Operating Income to Net Cash Provided by Operating Activity							
Operating Income (Loss)	\$ (236)	\$ (363)	\$ (587)	\$ 1,490	\$ 5,489	\$ 35,044	\$ 40,837
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities							
(Increase) Decrease in Assets							
Delinquent Taxes Receivable	101	291	577	(137)	24,764	246,576	272,172
Net Cash Provided by Operating Activities	\$ (135)	\$ (72)	\$ (10)	\$ 1,353	\$ 30,253	\$ 281,620	\$ 313,009



**BARAGA COUNTY  
COMBINING BALANCE SHEET  
TRUST AND AGENCY FUNDS  
September 30, 2006**

**EXHIBIT S**

	Trust and Agency	Library	Total
<hr/>			
<b><u>ASSETS</u></b>			
Cash	\$ 755,059	\$ 13,532	\$ 768,591
<hr/>			
Total Assets	\$ 755,059	\$ 13,532	\$ 768,591
<hr/>			
<b><u>LIABILITIES</u></b>			
Due to Villages	\$ 1,283		\$ 1,283
Due to State of Michigan	665,313		665,313
Undistributed Penal Fines		\$ 13,466	13,466
Undistributed Interest		66	66
Undistributed Tax Collections	25,758		25,758
Other Trust Items Payable	62,705		62,705
<hr/>			
Total Liabilities	\$ 755,059	\$ 13,532	\$ 768,591
<hr/>			

**BARAGA COUNTY**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT T**

	Balance 10/01/05	Additions	Deductions	Balance 09/30/06
<b><u>TRUST AND AGENCY FUND</u></b>				
Assets				
Cash	\$ 735,166	\$ 5,824,332	\$ 5,804,439	\$ 755,059
Total Assets	\$ 735,166	\$ 5,824,332	\$ 5,804,439	\$ 755,059
Liabilities				
Due to Other Funds		\$ 2,873,188	\$ 2,873,188	-
Due to Component Units		309,009	309,009	-
Due to Schools		482,591	482,591	-
Due to Townships		222,149	222,149	-
Due to Villages	\$ 3,419	240,235	242,371	\$ 1,283
Due to State of Michigan	601,603	1,545,652	1,481,942	665,313
Undistributed Tax Collections	40,853	3,708,821	3,723,916	25,758
Other Trust Items Payable	89,291	136,591	163,177	62,705
Total Liabilities	\$ 735,166	\$ 9,518,236	\$ 9,498,343	\$ 755,059
<b><u>LIBRARY FUND</u></b>				
Assets				
Cash	\$ 8,397	\$ 38,532	\$ 33,397	\$ 13,532
Liabilities				
Undistributed Interest	24	155	113	66
Undistributed Penal Fines	8,373	38,377	33,284	13,466
Total Liabilities	\$ 8,397	\$ 38,532	\$ 33,397	\$ 13,532

**COUNTY OF BARAGA**  
**STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT U**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Taxes</b>				
Current Winter Property Taxes	\$ 926,402	\$ 903,402	\$ 895,935	\$ (7,467)
Current Summer Property Taxes	858,550	1,078,550	900,268	(178,282)
Delinquent Real Property Tax	100,000	82,500	83,853	1,353
Unpaid Personal Property Tax	10,000	4,000	3,253	(747)
Stumpage Yield Tax	4,800	800	530	(270)
Commercial Forest Tax (State)	46,500	46,500	46,101	(399)
Trailer Park Tax	150	150		(150)
Swamp Lands Tax	73,020	73,020	73,021	1
Federal Payments-in-Lieu of Taxes	41,800	44,500	44,578	78
Tax Collection Fees	1,900	1,900	1,282	(618)
<b>Total Taxes</b>	<b>2,063,122</b>	<b>2,235,322</b>	<b>2,048,821</b>	<b>(186,501)</b>
<b>Licenses and Permits</b>				
Marriage Licenses	250	250	225	(25)
Marriage License Counseling Fees	600	600	675	75
Dog Licenses	300	300	357	57
Soil Erosion Permits	1,500	1,500	2,740	1,240
Other--Non-Business	50	50		(50)
<b>Total Licenses and Permits</b>	<b>2,700</b>	<b>2,700</b>	<b>3,997</b>	<b>1,297</b>
<b>Federal Grants</b>				
Emergency Services Program	6,500	6,500	5,494	(1,006)
Marine Safety Program	5,000	2,000	5,105	3,105
Domestic Preparedness/Homeland Security Grants		50,000	54,032	4,032
Cooperative Reimbursement Program	23,500	23,500	20,123	(3,377)
ADC Incentive Program	16,500	16,500	12,690	(3,810)
<b>Total Federal Grants</b>	<b>51,500</b>	<b>98,500</b>	<b>97,444</b>	<b>(1,056)</b>
<b>State Grants</b>				
Judges' Salary Standardization	48,153	48,153	48,155	2
Snowmobile Safety Program	6,000	1,100	1,119	19
Secondary Road Patrol	39,965	39,965	41,230	1,265
Marine Safety Program	10,000	1,400	3,428	2,028
Court Case Flow Assistance	2,500	2,500	2,652	152
Act 302 Officer Training	1,000	1,000	1,426	426
Juror Compensation			930	930
Court Equity Fund	50,000	50,000	48,136	(1,864)
Prison Inmate Prosecution	6,000	6,000	2,794	(3,206)
Cooperative Reimbursement Program			403	403
Child Care Basic Grant	15,000	15,000	15,000	-
Juvenile Officer	27,317	27,317	27,317	-
Liquor License Fees			385	385
Diverted Felons Program	10,000	16,000	13,224	(2,776)
Crime Victims Rights	20,460	20,460	12,640	(7,820)
Prison Inmate Defense	23,000	23,000	16,960	(6,040)
Cigarette Tax	5,946	5,946	5,467	(479)
Convention Facilities Tax	28,389	29,789	29,804	15
Remonumentation Program		95,000	78,747	(16,253)
<b>Total State Grants</b>	<b>293,730</b>	<b>382,630</b>	<b>349,817</b>	<b>(32,813)</b>
<b>Contribution From Local Unit of Government</b>			<b>5,979</b>	<b>5,979</b>

**COUNTY OF BARAGA**  
**STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT U**  
**(CONTINUED)**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges for Services				
Circuit Court Costs	6,500	5,500	5,471	(29)
Probation Enhancement Fees	800	800	750	(50)
District Court Costs	101,000	87,000	84,182	(2,818)
District Court Supervision Fees	8,500	8,500	10,234	1,734
Bond Costs	2,800	2,800	6,275	3,475
Probation Fees	10,000	10,000	7,810	(2,190)
Circuit Court Services	1,800	1,800	2,156	356
Friend of the Court Services	6,500	8,500	9,144	644
Probate Court Services	4,000	4,000	4,066	66
Treasurer Services	1,000	1,000	1,401	401
Clerk Services	11,300	11,300	12,109	809
Register of Deeds Services	45,125	45,125	47,104	1,979
Real Estate Transfer Tax	18,000	23,000	22,374	(626)
District Court Civil Fees	6,200	8,200	8,635	435
Sheriff Services	6,850	6,850	8,461	1,611
Equalization Department Services	9,000	9,000	10,888	1,888
Inmates Board and Care	15,500	9,500	11,674	2,174
Jail Bed Rental	70,000	70,000	71,300	1,300
Inmate Phone Services	4,300	5,300	5,891	591
Sale of Supplies	525	525	88	(437)
Total Charges for Services	329,700	318,700	330,013	11,313
Fines and Forfeits				
Ordinance Fines and Costs	9,500	9,500	8,514	(986)
Bond Forfeitures	600	600	400	(200)
Total Fines and Forfeits	10,100	10,100	8,914	(1,186)
Interest and Rents				
Interest Earned	16,000	19,500	22,239	2,739
Other Revenue				
Reimbursements				
Election Expense	2,800	2,800		(2,800)
Hospitalization Insurance Premiums	21,755	21,755	19,000	(2,755)
Mental Health Transporting	12,000	8,000	7,699	(301)
Tribal Contributions	48,800	48,800	13,364	(35,436)
General Refunds and Reimbursements	10,515	10,515	6,507	(4,008)
Total Other Revenue	95,870	91,870	46,570	(45,300)
Total Revenues	2,862,722	3,159,322	2,913,794	(245,528)
Other Sources				
Operating Transfers In From (Primary Government)				
Revenue Sharing Fund	153,879	158,957	158,957	
100% Tax Payment Funds	65,000	65,000	55,580	(9,420)
Total Other Sources	218,879	223,957	214,537	(9,420)
Total Revenue and Other Sources	\$ 3,081,601	\$ 3,383,279	\$ 3,128,331	\$ (254,948)

**COUNTY OF BARAGA**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT V**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Board of Commissioners	\$ 31,980	\$ 51,515	\$ 50,972	\$ 543
Circuit Court	91,194	103,594	100,371	3,223
District Court	76,794	109,877	109,464	413
District Court Magistrate	28,872	51,814	50,821	993
District Court Probation	20,000	20,000	20,000	-
Friend of the Court	60,000	43,500	43,446	54
Jury Commission	1,400	1,400	1,000	400
Probate Court	145,983	202,524	201,407	1,117
Elections	11,800	11,800	8,979	2,821
Clerk	76,581	128,240	126,388	1,852
County Audit	18,500	18,810	17,025	1,785
Equalization Department	90,327	152,108	149,922	2,186
Prosecuting Attorney	123,904	186,854	182,308	4,546
Register of Deeds	36,032	61,089	59,947	1,142
Treasurer	83,252	147,501	146,572	929
Cooperative Extension Service	49,383	62,525	61,580	945
Courthouse and Grounds	90,237	92,019	91,516	503
Resource Conservation and Development	325	325	300	25
Remonumentation Project		95,000	78,747	16,253
Record Copying	15,500	15,500	13,719	1,781
Miscellaneous	350	350	-	350
Total General Government	1,052,414	1,556,345	1,514,484	41,861
Public Safety				
Sheriff	250,920	419,285	407,089	12,196
Act 302 Training	1,500	1,500	1,454	46
Marine Safety Program	15,000	11,280	3,819	7,461
Snowmobile Safety Program	6,000	1,530	1,106	424
Secondary Road Patrol	39,965	41,965	41,892	73
U.P. Substance Enforcement Team		775	6,754	(5,979)
Jail	285,249	467,539	467,444	95
Mine Inspector	1,390	1,811	1,576	235
Soil Erosion and Sedimentation	1,800	1,900	1,824	76
Emergency Services Program	16,630	17,866	17,370	496
Domestic Preparedness/Homeland Security Grants		58,100	53,693	4,407
Animal Control	14,300	14,871	12,346	2,525
Total Public Safety	632,754	1,038,422	1,016,367	22,055

**COUNTY OF BARAGA**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2006**

**EXHIBIT V**  
**(CONTINUED)**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Health and Welfare				
District Health Department	50,742	50,742	50,742	-
District Health Department--Cigarette Tax	4,000	4,000	3,859	141
Substance Abuse Coordinating Agency	14,150	14,950	14,902	48
Medical Examiner	6,200	6,200	5,216	984
Community Mental Health Authority	33,795	33,795	33,795	-
Juvenile Court Counselor	30,822	45,119	44,625	494
Family Independence Agency	3,500	3,500	1,507	1,993
Veterans Burials	5,500	5,700	5,100	600
Total Health and Welfare	148,709	164,006	159,746	4,260
Community and Economic Development				
UP Commission for Area Progress	400	400		400
Western UP Planning and Development Region	6,096	6,096	6,096	-
Total Community and Economic Development	6,496	6,496	6,096	400
Recreation and Culture				
County Fair Board	4,000	4,000	4,000	-
Other Functions				
Insurance and Bonds	64,000	46,000	43,436	2,564
Employee Hospitalization Insurance	395,769			-
Retirees Post Employment Hospitalization Benefits		25,100	24,959	141
Retirees Reimbursable Hospitalization Premiums		28,769	24,529	4,240
Employee Retirement	139,500			-
Social Security and Medicare	83,000			-
Unemployment Benefits	1,000	1,000		1,000
Employee Life Insurance	1,700			-
Other Employee Benefits	426			-
Negotiations	4,800			-
Total Other Functions	690,195	100,869	92,924	7,945
Capital Outlay	29,233	24,233	23,653	580
Total Expenditures	2,563,801	2,894,371	2,817,270	77,101
Other Uses				
Operating Transfers (Out)				
Revenue Sharing Fund	458,000	458,000	458,000	-
Probate Child Care Fund	40,000	30,000	30,000	-
Veterans' Affairs Fund	16,800	16,800	16,800	-
Law Library Fund	3,000	5,500	5,500	-
Total Other Uses	517,800	510,300	510,300	-
Total Expenditures and Other Uses	\$ 3,081,601	\$ 3,404,671	\$ 3,327,570	\$ 77,101

**BARAGA COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT**  
**September 30, 2006**

**EXHIBIT W**

<b>DEBT SERVICE</b>			
	L'anse 2002 Bond	L'anse 1979 Bond	Total
<b><u>ASSETS</u></b>			
Current Assets			
Cash		\$ 78	\$ 78
Total Current Assets	\$ -	78	78
Total Assets	-	78	78
Noncurrent Assets			
Due From Local Units of Government			
Due Within One Year	20,000	60,000	80,000
Due in More Than One Year	1,660,000	635,000	2,295,000
Total Noncurrent Assets	1,680,000	695,000	2,375,000
Total Assets	\$1,680,000	\$ 695,078	\$ 2,375,078
<b><u>LIABILITIES</u></b>			
Noncurrent Liabilities			
Bonds Payable			
Due Within One Year	\$ 20,000	\$ 60,000	\$ 80,000
Due in More Than One Year	1,660,000	635,000	2,295,000
Total Noncurrent Liabilities	1,680,000	695,000	2,375,000
Total Liabilities	1,680,000	695,000	2,375,000
<b><u>NET ASSETS</u></b>			
Restricted for Debt Service		78	78
Total Net Assets	\$ -	\$ 78	\$ 78

**BARAGA COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT**  
**For the Year Ended September 30, 2006**

**EXHIBIT X**

<u>Functions/Programs</u>	<b><u>PROGRAM REVENUES</u></b>		Net (Expense) Revenue
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	
L'anse 2002 Bond			
Interest on Related Debt	\$ 76,028	\$ 76,028	\$ -
Total L'anse 2002 Bond Debt	76,028	76,028	-
L'anse 1979 Bond			
Interest on Related Debt	37,750	37,750	-
Total L'anse 1979 Debt	37,750	37,750	-
Total L'anse DPW Sewer Debt	\$ 113,778	\$ 113,778	\$ -
Change in Net Assets			-
Net Assets--Beginning of Year			\$ 78
Net Assets--End of Year			\$ 78



**BARAGA COUNTY**  
**COMBINING BALANCE SHEET**  
**DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT**  
**GOVERNMENTAL FUNDS**  
**September 30, 2006**

**EXHIBIT Y**

	<u>DEBT SERVICE</u>		
	L'anse 2002 Bond	L'anse 1979 Bond	Total
<u>ASSETS</u>			
Cash		\$ 78	\$ 78
Due From Local Units of Government	\$ 1,680,000	695,000	2,375,000
Total Assets	\$ 1,680,000	\$ 695,078	\$ 2,375,078
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Deferred Revenue	\$ 1,680,000	\$ 695,000	\$ 2,375,000
Total Liabilities	1,680,000	695,000	2,375,000
Fund Equity			
Fund Balance			
Designated for Debt Service		78	78
Total Fund Equity	-	78	78
Total Liabilities and Fund Equity	\$ 1,680,000	\$ 695,078	\$ 2,375,078
Fund Balance--Total Governmental Funds			\$ 78
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds.			2,375,000
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(2,375,000)
Total Net Assets			\$ 78

**BARAGA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS**  
**COMPONENT UNIT--GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2006**

**EXHIBIT Z**

	<b>DEBT SERVICE</b>		
	L'anse 2002 Bond	L'anse 1979 Bond	Total
Revenues			
Contributions From Local Units	\$95,028	\$97,750	\$ 192,778
Total Revenues	95,028	97,750	192,778
Expenditures			
Public Works			-
Debt Service			
Principal	19,000	60,000	79,000
Interest and Fiscal Fees	76,028	37,750	113,778
Total Expenditures	95,028	97,750	192,778
Excess of Revenues Over (Under)			
Expenditures	-	-	-
Total Other Financing			
Sources (Uses)	-	-	-
Excess of Revenues and Other			
Sources Over (Under)			
Expenditures and Other Uses	-	-	-
Fund Balance--October 1, 2005	-	78	78
Fund Balance--September 30, 2006	\$ -	\$ 78	\$ 78

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	\$ -
Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred.	(79,000)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	79,000
Change in Net Assets of Governmental Activities	\$ -



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

February 14, 2007

County of Baraga  
County Board of Commissioners  
16 North 3rd Street  
L'Anse, Michigan 49946

RE: Report on Internal Control Over Financial Reporting and Compliance and  
Other Matters Based on an Audit of the Financial Statements Performed in  
Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baraga County, Michigan, as of and for the year ended September 30, 2006, which collectively comprise Baraga County's basic financial statements and have issued our report thereon dated February 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and with the standards prescribed by the state treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Baraga County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baraga County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect Baraga County's ability to initiate, authorize,

record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Baraga County's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting which are listed as 98-2.

A material weakness is a significant deficiency or combination of significant deficiencies, which results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Baraga County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily identify all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baraga County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an "Other Matter" that we reported to management of Baraga County in the accompanying comments and recommendations as item 05-01.

This report is intended solely for the information of the Baraga County Board of County Commissioners, the County's management and others within the County, and Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

## COUNTY OF BARAGA

### COMMENTS AND RECOMMENDATIONS

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect Baraga County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Baraga County's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Listed below are significant deficiencies in the internal control.

#### **SIGNIFICANT DEFICIENCIES**

##### Sheriff Department--Jail Commissary

*Finding 98-2*

*Condition:* The Sheriff's Department operates a commissary for the benefit of the inmates. Revenue from the sale of commissary items is deposited to a bank account under the custody of the Sheriff's Department. The bank account is used for purchases of commissary items for resale to inmates and other items for the benefit of the inmates.

*Criteria:* The Michigan Department of Treasury Uniform Chart of Accounts for Counties and Local Units of Government in Michigan requires that the commissary be accounted for in fund number 595 - Commissary Fund.

*Recommendation:* We recommend that the county board of commissioners pass a resolution providing for the county treasurer to establish fund number 595 - Commissary Fund. We also recommend that the Sheriff's Department deposit all commissary revenue with the county treasurer at least monthly. Commissary Fund expenditures should be submitted to the board of commissioners for approval whenever possible. An imprest cash or checking account may be established to pay suppliers that require immediate payment. When an imprest account is used, the Sheriff's Department should request reimbursement, at least monthly from the Clerk's Office, for expenditures made from this account. The imprest account should be reconciled monthly.

*Management's Response:* At the November 20, 2000 board meeting, it was the decision of the board to have the sheriff keep the fund at the jail due to the amount of work and time the above listed procedures would entail.

## COUNTY OF BARAGA

### COMMENTS AND RECOMMENDATIONS

#### **OTHER MATTERS**

##### County Capital Assets Records

*Finding 05-1*

*Condition:* The county has a capitalization policy. During 2007, the county purchased a mailer which exceeded the capitalization threshold and was not posted to the capital outlay line-item. The budget of the county included several accounts for capital outlay which contained items under the threshold of the county.

*Criteria:* It is the responsibility of the county to maintain the capital assets listing and to update it for additions and deletions.

*Recommendation:* We recommend that all capital assets that meet the capitalization threshold be recorded as capital outlay. Expenditures for capital-type items that do not meet the threshold should be recorded as noncapitalized supplies and equipment.

*Management's Response:* Capital outlay meeting the capitalization threshold will be posted as capital outlay expense.